Daily Report

Latin America

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CONTENTS

INTER-AMERICAN AFFAIRS

Argentine President Assumes Mercosur Presidency *[TELAM]* 1
Nicaragua's Tijerino Assumes OAS Presidency *[Managua Radio]* 1

CARIBBEAN

Cuba

Foreign Minister Notes First Phase of Difficult Year *[Havana Radio]* 2
'Straight Talk' Views Streamlining Economy *[Havana Radio]* 2
'Straight Talk' Views Economic Plan, Budget *[Havana Radio]* 5
Tourism Vice Minister on Tourism Development Plan *[PRENSA LATINA]* 7
Tourism Industry During 1995, Outlook for 1996 Viewed *[Havana Radio]* 8
Reporter Assesses 1995 Achievements *[Havana Radio]* 9
TRABAJADORES Editorial: 'The Worst Is Behind Us' *[Havana Radio]* 11
Commentary Discusses Money Concentration Problems *[Havana Radio]* 12
Public Health Minister Assesses National Medicine Program *[Havana Radio]* 12
Basic Cooperative Production Units Face Economic Problems *[Havana Radio]* 13
Fishing Sector Lists 1995 Performance Statistics *[Havana Radio]* 13
Construction Workers To Reduce Delays in Tourism Sector *[Havana Radio]* 14
Efforts Made To Increase Efficiency of Power Plants *[Havana Radio]* 14
Lack of Cooking Gas Reportedly Worries Some Citizens *[Havana Radio]* 15
ICAP Presents First Issue of HABANERA Magazine *[PRENSA LATINA]* 15
Roundup of Politburo Members' Activities Through 30 Dec *[Havana TV, etc.]* 15
Roundup of Sugarcane Developments Through 31 Dec *[Havana Radio, etc.]* 16

MEXICO

Truckers To Close Bridges; U.S. 'Not Complying With NAFTA' *[REFORMA 29 Dec]* 17
Zedillo Announces Projects for Baja California *[Mexico City TV]* 17
Secretary Gurria Assesses Year's 'Achievements' *[NOTIMEX]* 17
Finance Ministry Bulletin Reviews 1996 Outlook, Goals *[Mexico City TV]* 19
Canacintra Head on 1996 Economic Recovery Prospects *[REFORMA 29 Dec]* 19
Government To Pay $1.666 Billion in First Half of 1996 *[EL FINANCIERO 22 Dec]* 20
Authorities Reject Request by Salinas De Gortari *[Mexico City Radio]* 20
EZLN Demands Trial Against Salinas for 'Treason' *[LA JORNADA 31 Dec]* 21
Government, Rebels, Agree To Ease Chiapas Tension *[Mexico City TV]* 22
Zapatists Celebrate Second Anniversary of Uprising *[REFORMA 29 Dec]* 22
Authorities Arrest Two Leaders of El Barzon Movement *[Mexico City TV]* 23
Finance Secretariat Announces Public Debt Law Changes *[EL FINANCIERO 22 Dec]* 23
BMV Reaches Historic Peak in 2 Jan Operations *[Mexico City Radio]* 24

CENTRAL AMERICA

El Salvador

Defense Ministry Confirms Appointment of Minister *[ACAN]* 25

Ministry Announces Military Changes, Appointments *[San Salvador Radio]* 25

Guatemala

Lack of URNG Resolve Prevents Signing of Peace Agreement *[Guatemala City TV]* 25

Panama

Assembly Grants Special Powers to Executive Branch *[LA PRENSA 31 Dec]* 26

SOUTH AMERICA

Argentina

Government Reaffirms Sovereignty Over Falklands *[NOTICIAS ARGENTINAS]* 27
UK Chancellor of Exchequer's State Visit Previewed *[NOTICIAS ARGENTINAS]* 27
Clarke Meets Misiones Governor *[TELAM]* 27
Petrella: Chile To Set Up Base in Continental Glaciers *[TELAM]* 28
Menem Addresses Jewish Community on Terrorist Attacks *[TELAM]* 28
Menem: Budget Deficit 'Will Not Occur' During Tenure *[TELAM]* 29
Menem Denies Changes to Constitution, Pardons *[TELAM]* 30
Menem Promulgates Budget Bill, Vetoes 10 Articles *[NOTICIAS ARGENTINAS]* 30
Central Bank President Views Financial, Banking System *[TELAM]* 31

Bolivia

Sirese Superintendent Discusses Tasks Ahead *[HOY 1 Dec]* 32

Brazil

President's PSDB Seeks New Political Alliances *[JORNAL DO BRASIL 28 Dec]* 33
Government Reportedly Remaking Congressional Support Base *[O GLOBO 29 Dec]* 34
President Says Successor To Come From Social Sector *[O GLOBO 31 Dec]* 34
Daily Sees Cardoso Backing Souza Presidential Candidacy *[O GLOBO 1 Jan]* 35
Government Bloc Leader in Senate Endorses Cabinet Reshuffle *[JORNAL DO BRASIL 28 Dec]* 35
Article Views Demands for Changes in Government *[JORNAL DO BRASIL 27 Dec]* 36
Armed Forces Concerned About Constitutional Reforms *[GAZETA MERCANTIL 26 Dec]* 37
Local Enterprises Reportedly Capable of Implementing Sivam *[AGENCIA ESTADO]* 38
Editorial Views Governors' Support for Sivam Project *[FOLHA DE SAO PAULO 28 Dec]* 39
Finance Minister Malan Views 1996 Economic Prospects *[O ESTADO DE SAO PAULO 24 Dec]* 40
Economist Comments on Current Situation of Real *[O ESTADO DE SAO PAULO 28 Dec]* ... 42
Subscribers' Connection to Internet Delayed *[VEJA 27 Dec]* 44

Chile

Interior Minister Rules Out Pact With Communists *[EL MERCURIO 28 Dec]* 44
Defense Minister Discards Pact With Communists *[EL MERCURIO 29 Dec]* 45
Espina on Figueroa's Proposal To Reform Electoral System *[EL MERCURIO 29 Dec]* 45
Investigative Police Reveal New Antidrug Strategy *[EL MERCURIO 28 Dec]* 46

Colombia

Report Notes U.S. Use of Nuclear Subs in Search for Drugs *[Santa Fe de Botota TV]* 46
President Samper Reverses Appointment of New DAS Director *[Santa Fe de Bogota TV]* 47
Army Uncovers Terrorist Plot, Arrests ELN Leader in Cali *[Santa Fe de Bogota Radio]* 47

Ecuador

Peru Said Threatening U.S. Ties Over Kfir Plane Sale *[Madrid EFE]* 47

Leoro Denies Postponement of Kfir Plane Delivery *[Madrid EFE]* 48
Spokesman Denies Troop Mobilization on Peruvian Border *[Madrid EFE]* 48
Leoro Says Rumors of Troop Deployment Create Concern *[Quito Radio]* 49
Armed Forces Chief: 'No Major Incidents' at Border *[Madrid EFE]* 50
Army Chief: Dispute With Peru To Be Solved Through Law *[Quito Radio]* 50
Peruvian Silence on Information Proposal 'Suspicious' *[Quito Radio]* 51

Paraguay

Wasmosy Evaluates Administration, Answers Criticisms *[NOTICIAS 29 Dec]* 51
Wasmosy Addresses Role of Executive, Economic Issues *[NOTICIAS 31 Dec]* 52
UK Chancellor of Exchequer Pays Official Visit 53
Explores Investment Opportunities *[ABC COLOR 30 Dec]* 53
Discusses Privatization Process *[ABC COLOR 30 Dec]* 53

Peru

Embassy Denies Report on Plans To Break U.S. Ties *[Madrid EFE]* 54
Foreign Minister on Kfir Sale, Air Space Violation *[Lima TV]* 54
Foreign Ministry, Press on U.S. Kfir Sale Decision 55
Communique Calls Move 'Inappropriate' *[Madrid EFE]* 55
Daily Calls Authorization 'Irresponsible' *[EXPRESO 23 Dec]* 55
Article on Ecuadoran Kfir Plane Purchase, Intentions *[EXPRESO 17 Dec]* 56
'Report' Reveals MRTA Plan of Alliance With Shining Path *[LA REPUBLICA 20 Dec]* 56
Correction to Military on Violation, Shots Fired 58

Venezuela

Defense Minister Denies Colombian Airspace Violations *[Caracas TV]* 58
Defense Minister Denies Internal 'Incipient Movements' *[EL NACIONAL 27 Dec]* 58
Foreign Minister Comments on Relations With Colombia *[Caracas TV]* 59

Argentine President Assumes Mercosur Presidency

PY0301022396 Buenos Aires TELAM in Spanish 2230 GMT 2 Jan 96

[FBIS Translated Excerpt] Buenos Aires, 2 Jan (TELAM-SEM) — The Foreign Ministry today reported that President Carlos Menem today began his Mercosur [Common Market of the South] pro tempore presidential term. He will occupy this post during the first half of 1996. Menem's task will involve strengthening and improving the customs union and foreign relations.

Menem will occupy the post that Uruguayan President Julio Maria Sanguinetti held until 31 December. Menem will face the challenge of concluding the negotiations with Chile for signing a free trade agreement with the trans--Andean country before 31 March. [passage omitted]

For his part, Foreign Minister Guido Di Tella will be the president of the Common Market Group that will coordinate the meetings of working subgroups on issues involving communications, mining, financial affairs, transportation and infrastructure, environment, industry, agriculture and energy, among other issues.

Nicaragua's Tijerino Assumes OAS Presidency

PA0301041596 Managua Radio Nicaragua Network in Spanish 1130 GMT 2 Jan 96

[From the "620 Newscast"]

[FBIS Translated Text] Last week, Jose Antonio Tijerino was elected president of the OAS Permanent Council. Tijerino will hold this post, which he assumed last Friday, for three months. Tijerino is also Nicaragua's ambassador to the OAS.

Tijerino's background includes a law degree from the National University of Nicaragua and a graduate degree in Latin American Affairs from Georgetown University in Washington, D.C. Tijerino has held the position of ambassador to the Bahamas and Jamaica. He has also held the posts of labor and social action minister and taught International Law at the University of [words indistinct].

In addition, he acted as Cardinal Miguel Obando y Bravo's legal representative and counselor in the Commission of Verification, Mobilization, Disarmament, and Repatriation of the Nicaraguan Resistance.

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Cuba

Foreign Minister Notes First Phase of Difficult Year

PA0201173396 Havana Radio Rebelde Network in Spanish 1800 GMT 1 Jan 96

[From the "National Radio News" newscast]

[FBIS Translated Text] We all are determined to face challenges and defiance on the first day of the year, because a new working phase has begun and because new commitments are being made given the tenacious resistance by people determined not to allow themselves to be defeated. These people have the support of the international community today more than ever. Foreign Minister Roberto Robaina talked about this issue with reporter (Zenaida Gonzalez):

[Begin recording] [Robaina] We are in the first phase of a difficult year, and 1996 must signify the year in which we will stop seeing how we spent 1995 and in which we will not spend too much time talking about the more than 2 percent increase. Let us not talk about the fact that we grew in 1995. Let us talk about the fact that we have to grow much more in 1996.

[(Gonzalez)] What would Roberto Robaina tell those Cubans listening to you?

[Robaina] Many Cubans around the world must be listening to me. I believe there are many Cubans around the world. I believe we would have to tell Cubans, anywhere they are, of the hard years we have had to face. They have to stress to us the sentiments and pride of being Cuban. I believe history has not been written. There are histories that are written and there are histories that are being written. The thing is that we are living today, and we will write about it tomorrow. In my opinion, the efforts these people have made all this time [words indistinct] perhaps we do not realize their greatness, because we have yet to write about it.

Indeed, I believe we do not have to stop working. Nothing is more important than working; nothing is more important than devoting oneself to working. In times as those the country is experiencing, nothing is more important than yielding ourselves to work in a disciplined fashion. [end recording]

'Straight Talk' Views Streamlining Economy

PA0101122696 Havana Radio Rebelde Network in Spanish at 1700 GMT on 25 Dec 95

["Straight Talk" program with Julio Garcia Luis, TRABJADORES journalist and president of the Union of Cuban Journalists, and program host Osvaldo Rodriguez]

[FBIS Translated Text] [Rodriguez] Good afternoon, friends. This is the "Straight Talk" program here at Radio Rebelde Network. The national budget, the streamlining of the economy, and Cubans' wallets are the issues that reporter Julio Garcia Luis of the TRABAJADORES newspaper will discuss and explain for us here today. Julio, I do believe they are good issues to discuss at the end of the year. They are issues that are currently being debated in the nation.

[Garcia] Yes, the National Assembly is, of course, discussing the 1996 budget and will most surely broach many of those issues.

[Rodriguez] I ask you: What is the relationship between the national budget, the streamlining of the economy, and the Cubans' wallets?

[Garcia] Well, first I want to talk about what has been done regarding the balancing of the budget. It has really been quite amazing and, perhaps, it has not been sufficiently highlighted. However, we had a budget deficit that surpassed 5 billion pesos just two years ago in 1993.

[Rodriguez] That is extraordinary.

[Garcia] This means that practically amid the country's economic crisis, the government was backing most of its expenses and the subsidies it gave to most of its unprofitable firms with paper, by issuing currency.

[Rodriguez] The unprofitable firms, as well as the mass of workers who were practically doing nothing at that time and continued to receive their regular wages.

[Garcia] That is right. The budget imbalance, of course, is mainly triggered by a contraction in production. The reduction of services generated by society also furthered the country's financial imbalance because it meant paying wages, sending money to the streets, and the people could not invest it anywhere later on. Thus, the situations were connected. Of course, people had their pockets full of paper. The country's financial balance in general was distorted. The budget balance was also distorted. All this definitely went against the country's economy and against each citizen's interest and wellbeing.

[Rodriguez] This was an evil that we had to...

[Garcia, interrupting] It was inevitable. We had to confront it, because if we had not, we would have had to fire people and make adjustments as so many countries have done, leaving millions of workers without jobs. We had no other choice but to confront this evil. The

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problem was a known one. It had been anticipated, and we knew it would take place.

[Rodriguez] The inflation was willfully made. This never happens. Inflation almost always gets out of the governments' control. This was an inflation that was made intentionally.

[Garcia] It was done to further a social policy that was to maintain national unity and back workers at a time when the country had to face the most difficult economic situation in its entire history.

[Rodriguez] Do you think that at that time, the government was already thinking of ways to resolve the problem created?

[Garcia] I believe it at least had a basically clear idea of what it wanted; it was required to restore the value of the peso and of wages, and it had to balance the country's finances. I believe this idea was clear from the beginning.

[Rodriguez] We have to say that when the crisis started our peso was already devalued. Our peso was not worth a peso at that time, because we already had a small inflation margin.

We must remember that Cuba discontinued payment of its foreign debt service in 1985. This caused serious external economic problems, which were reflected in the faster moving consumer products.

[Garcia] The country had been shouldering a chronic lack-of-currency crisis before the special period as a result of a number of international and national circumstances. Of course, during the special period, the situation became even worse.

We spoke about the 5 billion peso budget deficit. What is amazing is that in two years — by implementing a policy which did not cause any social upheavals — the deficit has been reduced this year to 600 or 700 million pesos.

[Rodriguez] Finance Minister Manuel Millares reported a figure of 750 million pesos in a recent interview.

[Garcia] That is an very admirable economic feat, and is proof of the fairness and certitude of the economy policy being implemented. I believe there is no other example in the world such as this, in which the social system has not been seriously affected.

[Rodriguez] The national budget, the streamlining of the economy, and the Cuban worker's wallets are the three issues being discussed here with reporter Julio Garcia Luis of TRABAJADORES newspaper. Julito?

[Garcia] The financial cleansing has undergone a formidable process during this same period, because, following all this budget phenomenon, there came a need for a domestic financial cleansing. We have been able to reduce the excess of circulating money. As we all know, it exceeded 12 billion [currency not specified]; we have now approximately 9 billion [currency not specified]. We have implemented all this program of measures; certain price and fare increases were included in this program. Now, as we were told, this process must start its second phase, a second phase that will take into account...

[Rodriguez, interrupting] It has already started.

[Garcia] Most people are practically cleansed, from a personal and family standpoint.

[Rodriguez] I believe they are well cleansed; they can roam the streets with empty pockets.

[Garcia] At the same time, there is a concentration of an excess of circulating money, which still exists, in certain local social classes.

[Rodriguez] There is even a flow toward the emergence of self-employment; this circulating money is flowing toward it.

[Garcia] That is right. In other words, there is a [word indistinct] concentration or, we could say, polarization of money. I believe this contributes to deciding how to draft this second phase we are just beginning, a phase that will be based more on a tax system, on the levying of taxes on a group of people who engage in certain activities...

[Rodriguez, interrupting] Whose income is higher than the average income.

[Garcia] Exactly. We have certain supply measures in the farmers markets, measures that have been announced, but that have not become tangible as strongly as we wanted them to become tangible. The state has more participation in the market, which is ruled by supply and demand. It aims at contributing to extracting a larger share of circulating money through the supply of certain products.

[Rodriguez] At the same, it will help certain prices go down.

[Garcia] We also implemented the advance payment of houses. In other words, this second phase is being consolidated as a more selective process.

[Rodriguez] We have banking measures too.

[Garcia] Exactly.

[Rodriguez] Let us say, whoever is amassing foreign exchange can use his foreign exchange in the short run...

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[Garcia, interrupting] Can deposit it in the short run...

[Rodriguez, interrupting] It is called a timed deposit.

[Garcia] To stimulate savings stability. I believe we are following careful and accurate policies, because we have to consider people's wallets.

[Rodriguez] Well, let us talk about the wallets then.

[Garcia] These circumstances we were talking about, that there is a large segment of the population that has been cleansed, that has been subjected to a pressure on its income, logically forces the leadership of the country, of the government to be careful in the steps it is taking.

[Rodriguez] I believe that the financial cleansing has already raised the value of the peso, because I will necessarily have to resort, for a long time, to the exchange rate in the black market, which is no longer so black. We now have an unofficial exchange market.

[Garcia] Yes, it is now little white houses [casetitas blancas]; it is no longer black.

[Rodriguez] When we analyze that the Cuban peso was being exchanged in the informal market at up to 120 pesos to the dollar...

[Garcia, interrupting] Sometimes it was higher in certain regions.

[Rodriguez] In the regions. In certain regions of the countryside, it reached up to 160 pesos. Nowadays, it fluctuates between 25 and 30 pesos or something like that. In the case of the little white houses, this chain of exchange stores...

[Garcia, interrupting] Exchange houses.

[Rodriguez] Exchange houses. This chain purchases pesos at 25 and sells them at 30 [as heard]. It sells convertible pesos at 30. This gives us a margin of recovery on our peso. The money I have in my pocket... [pause] For instance, you and I earned $3 a month; we now earn a little bit more. It is the same salary though; the salary has not changed.

[Garcia] I believe this is a moral we all must interpret, Osvaldo. Without a salary increase, without minting more money, we have increased our real salaries by raising the price of the peso.

[Rodriguez] We continue to address such issues as the national budget, financing cleansing, and the Cubans' wallets with Julio Garcia Luis from the daily TRABAJADORES.

[Garcia] Well, certain essential ideas, Osvaldo. I believe that we must continue to keep in mind that we remain under a program to cleanse and adjust the economy. The time to mint money and increase salaries has not yet come. Paradoxically, this could devalue the money we earn, our salaries. This is a basic idea for me...

[Rodriguez, interrupting] Of course.

[Garcia] To keep in mind.

The other idea that I think we must also keep in mind is that the process of putting finances in order has not concluded. It must be continued; it must be continued with the old measures, plus the new ones that are added with a criterion, as we had said, that is more selective and more divided [dividido], while taking into account where the excess money in circulation that still exists is concentrated.

[Rodriguez] Of course.

[Garcia] The other idea, which I think is essential, is that the budget is becoming increasingly more important in the regulation and tidying up of social life. In upcoming days the assembly will discuss next year's budget. I am sure that the policy of maintaining the priorities of basic social sectors will be reflected there.

[Rodriguez] Certainly.

[Garcia] We do not yet know the figures, but I am sure that health and education will follow the same trend of the past few years, because despite the economic crisis, these sectors have received from society the resources that are indispensable for their work.

[Rodriguez] It is unquestionable that the policy of reducing the subsidies to inefficient enterprises will be continued, because I think that this is a prudent policy.

[Garcia] I think that the policy, which is already being defined by the tax system, and the progress that this system should achieve in 1996 and 1997 should lead us to a clear definition of the profitability of the enterprises and profitable operation of enterprises and cooperatives.

[Rodriguez] We must understand that as long as the fiscal deficit is not checked, we will continue putting worthless paper in people's pockets.

[Garcia] Yes, but this year it will be at a tolerable level.

[Rodriguez] Therefore we must pay attention to this.

[Garcia] We must continue reducing it.

[Rodriguez] Some provinces have already eliminated the fiscal deficit, at the regional level.

[Garcia] Osvaldo, I want to say that the budget has become a state tool for redistributing taxes on people with big income, on people with highly profitable activities, for the benefit of society. The budget serves

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to redistribute resources and money, for the benefit of society.

[Rodriguez] I believe, Julio, that the budget issue is going to the National Assembly accompanied by two other issues, assembly regulations and other matters the assembly discusses between sessions.

I think it will dedicate most of its time to the budget issue.

I want to tell this to the listeners: Careful! The National Assembly will be discussing you, not macro or national interests, but you.

[Garcia] Your pocket money.

[Rodriguez] Your pocket money, so pay attention. We must be discerning with regard to two fundamental matters: The sugar harvest and the national budget.

Thanks to Julio Garcia for speaking clearly here about three issues that could be envisaged as a single one: the national budget, financial health, and the Cuban people's pocket money.

Thank you for listening.

'Straight Talk' Views Economic Plan, Budget

PA0101144896 Havana Radio Rebelde Network in Spanish 1700 GMT 26 Dec 95

["Straight Talk" program with journalists Julio Garcia Luis, president of the Union of Cuban Journalists, and Radio Rebelde reporter Luis Sexto and program host Osvaldo Rodriguez]

[FBIS Transiated Text] [Rodriguez] Good afternoon friends, this is Straight Talk here on Radio Rebelde. In 1996, the economy will have a well-conceived budget plan. We will speak today, live from the Convention Palace, with journalists Julio Garcia Luis and Luis Sexto. Colleagues, I believe that in the presentation made today before the Cuban Parliament, in its first session held this morning, Ministers Jose Luis Rodriguez and Manuel Millares have outlined the economic plan for 1996 and the state budget, respectively. Julito, on a recent Straight Talk program, you talked about the need we have to rescue the economic plan. Well, I believe that we will have an economic plan for 1996 so I propose that we begin the debate by discussing this.

[Garcia Luis] I would like to say something first, Osvaldo. Sometimes the most extraordinary things appear as normal things. And what we are experiencing here this morning at the National Assembly of the People's Government [ANPP] is truly an extraordinary event in the life of our country. In other words, it has been five years that, as a result of the economic crisis, the country was unable to plan its development. The collapse of the country had been predicted. However, today we see that finally Cuba can devise an economic plan, with its characteristics, for 1996. This is not the same plan we had in previous years, but it is a plan that will allow the country to recover one fundamental thing: Namely, the capacity to plan its development and organize the adequate use of resources.

[Rodriguez] What you just said is very interesting because we recently talked with Eric Jimenez here on Straight Talk and asked if in fact at a specific moment did it all seemed to indicate there would be a collapse of Cuba and bets were constantly made as to when this would happen. Today — our enemies and friends alike — bet on when Cuba will overcome the crisis and how will it overcome it. I believe this is a response to both friends and enemies. Luis Sexto.

[Sexto] I would like to add to what Julito said, Osvaldo, that there are global and specific figures indicating that the Cuban economy is taking off. But I believe that the existence of a plan for 1996 is a conclusive proof that the Cuban economy is indeed taking off. You cannot plan with poverty; you begin to plan with development, with the resources you have at hand.

This means that our country has resources and has possibilities for development, on one hand. On the other hand, the plan for me has a political significance. I believe, Osvaldo, that the plan is the expression of the national desire that planning continues to govern the Cuban society. I am talking about planning as an expression of the socialist economy. In other words, despite the economic transformations of our country, despite the diverse forms of ownership that today exist in the Cuban economy, planning — as a socialist formula of direction — prevails and controls them all.

I believe that this is very important. Osvaldo, we must take this element into account.

[Rodriguez] What you just said in terms of reaffirming some issues is very interesting. You said that poverty cannot be planned. Well, this justifies why we didn't have a plan all these years or since the crisis began.

Undoubtedly, there is a recovery in sight and immediately the plan emerges. But I propose a brief recess to return immediately from the Convention Palace.

Colleagues Luis Sexto and Julio Garcia Luis are here at the Convention Palace making an analysis of Cuba's prospects for 1996 based on the plan and budget submitted to the plenum of the ANPP this morning.

[Garcia] I wanted to illustrate a point we have discussed here this morning. Can you imagine a package that

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weighs 10 kg —which is not that heavy— falling a distance of 20 meters right on your head?

[Rodriguez] It would certainly crush my head.

[Garcia] The same situation applies here because the decline of the economy being brought to a halt, and I believe the media has not stressed this circumstance sufficiently. We must keep in mind that experiencing economic growth with a stable economy is not the same as bringing an economic decline to a halt. We have stressed here today the significance of the fact that we have been able to bring an economic decline, which caused us to lose 35 percent of our GDP, to a halt and that today, we are able to talk about a real economic recovery.

At times, we were criticized for what appeared to be moving too slowly, however, as we can see, there is already talk of a 5-percent economic growth. Regardless of the losses suffered in the previous years due to the crisis, we must admit that this is a considerably swift pace. I believe we are seeing a plan to undertake an economic recovery at a very rapid pace.

[Rodriguez] In addition, this 5-percent growth is in relation to 1995 economic figures, while Cuba's economy registered a 2.3-percent increase in 1995 compared to 1994. In the second half of 1994, the economy grew 0.6 percent compared to 1993 figures.

What you have pointed out is important because I believe the economic slowdown has been brought to a halt, and there are signs that we are undoubtedly on the brink of an economic recovery. Lucho.

[Sexto] However, we must clarify that this economic recovery, this growth registered in 1995, and the growth that has already been predicted for 1996 is a rate based on the figures registered in the previous year. In other words, this growth will never be compared to the last year in which the country had resources and a sound and buoyant economy. Thus, this growth will not be compared to that registered in 1988 or 1989.

This economic growth indicates a gradual improvement in the Cuban economy. We must bear this in mind, because the economic plan for 1996 is still very cautious, and when we listen to the government or the ministers speak, they always stress that this growth will not yet translate into an increase in the consumption rate. There will be a gradual improvement in the consumption rate and the standards of living of the population for 1996. However, we cannot refer to this growth in terms of abundance or full satisfaction of all the needs accumulated in Cuba in recent years. This is what we must bear in mind.

[Rodriguez] We cannot even refer to the full satisfaction of the population's main needs, but rather, a true improvement regarding its most urgent needs.

[Sexto] What the plan guarantees, with its projected growth of 5 percent, is that there is already a certainty that Cuba will overcome the economic crisis. This is what this plan indicates: That we are on the path of an economic recovery, even if we do not experience an immediate recovery or even if not all of us feel the effects of the recovery in our individual lives.

[Rodriguez] Julito.

[Garcia] In fact, any sign of a recovery cannot be gauged in terms of an increase in consumption. This is an economic law, an economic principle. We must grow in terms of energy production, basic production, production of sugarcane, nickel, tobacco, and other exportable goods, because our economy's growth depends on how much we are able to export.

[Rodriguez] And after that, we might begin to think about consumption.

[Garcia] That is correct, and our plan has rather emphasized the significance of the export sectors.

[Rodriguez] And on the Straight Talk program, Luis Sexto, Julio Garcia Luis, and I are analyzing the fact that in 1996 the economy will have a well-conceived budget plan. We are coming to you today from the Radio Rebelde booth at the Convention Palace during the sixth period of session of the ANPP. Luis Sexto.

[Sexto] There is something I wanted to note, Osvaldo. We have heard Jose Luis and Minister Millares, namely the minister of economy and planning and the minister of finance and prices, refer to this plan in a very responsible manner. In other words, one can tell this is a rationally conceived plan. This indicates to me that the Cuban economy is playing hard ball. In other words, this also indicates our country must leave behind a series of vices in the administration of the economy because this plan, which guarantees and forecasts growth, also requires a series of virtues, mechanisms, and decisions from the Cuban economy...

[Rodriguez, interrupting] I believe those virtues are discipline, work, and efficiency.

[Sexto] And efficiency. In other words, work must become the first need of Cuba. Cubans must feel the need to work and the need to work with efficiency, so as to guarantee their income, provide for themselves, and also to work to improve their country. This aspect cannot be discarded. I believe that the ethical and patriotic part cannot be separated from work. It is very necessary.

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[Rodriguez] Julito.

[Garcia Luis] I wanted to state, because we perhaps don't have enough time left to address all issues here...

[Rodriguez, interrupting] No, we are finishing off.

[Garcia Luis] I wanted to note there are three elements where special emphasis has been placed: The sugarcane harvest, for what it means; construction, we have seen the existing problems and delays in the tourism sector — this is a key sector; and tourism, which must also grow significantly next year. It is one of the fundamental sources of income of the country.

In other words, we must basically concentrate on these three elements.

[Rodriguez] Yes, of course. Well, in the minute that we have left, I ask you to summarize some ideas. For instance, what would 1996 represent for the Cuban people in terms of the economy, perhaps not in terms of consumption?

[Sexto] To me it represents the conviction that the crisis is being overcome, that we can see the light at the end of the tunnel. That image that was first discussed in 1990 and 1991.

[Rodriguez] They told us we were just making predictions because no one saw this, and we first said it here on Straight Talk. A large number of colleagues criticized us for this idea of the light at the end of the tunnel, because it was a nearly invisible light.

[Sexto] We always had faith because we thought the country had no alternative and the people were aware of this. If they wanted to preserve a country with social justice, with equality, with independence, it was necessary to come out of the tunnel, it was necessary to even invent that light at the end of the tunnel.

[Rodriguez] However, many people continue to think that their pockets are empty, or at least not sufficiently full.

[Garcia Luis] I wanted to add something else, Osvaldo. I believe that what has been said here this morning is evidence of the correctness of the country's economic strategy. This must not be overlooked. In other words, it has been confirmed that the cautious, solid, and pondered path undertaken by Cuba in the face of each measure is correct and we will not have to wait long before receiving the fruits of this policy.

I believe this is an essential fact that must not be ignored.

[Rodriguez] Of course, yes. Well friends, I thank you for your participation here. I believe we must again discuss this issue in the evening and I propose that we discuss again the proceedings here at the Convention Palace later on.

Tourism Vice Minister on Tourism Development Plan

PA3012193195 Havana PRENSA LATINA in Spanish 2154 GMT 22 Dec 95

[FBIS Translated Text] Today, Tourism Vice Minister Eduardo Rodriguez de la Vega announced here that the Cuban tourism development program up to the year 2000 has already been guaranteed 82 percent of its financing in freely convertible currency.

For Cuba to reach the availability of 50,000 rooms projected for the year 2000, it will be necessary to disburse 2.4 billion pesos (the same amount in dollars, according to the official exchange rate). Of this amount, 1.376 billion will be allocated in U.S. dollars, Rodriguez de la Vega said in a news conference.

He recalled that currently, Cuba has 23,467 hotel rooms, most of which (13,637) are located in beach areas, while a significant number (7,455) is located in urban areas. [figures as received]

De la Vega announced that the investment program for 1996 envisions the incorporation of 5,244 rooms — more than half of which will be new, and 2,091 will be remodeled. These rooms will be made available specifically in the tourist areas of Varadero, Havana, and the northern keys of Ciego de Avila.

De la Vega emphasized that the self-financing factor has played a decisive role in the speedy development process undergone by the Cuban leisure industry since the early 1990's.

For each dollar invested by foreign companies, the Cuban part has allocated 4.5 dollars, without taking into account outlays in local currency, the official said, and added that this trend should be maintained in the future.

Only 22 percent of the 25,000 rooms to be built up to the year 2000 will be built via joint ventures. Any increase in this volume will depend on Cuba's success to obtain credits and the conditions proposed by the presumed partners in these ventures.

He pointed out that up to the end of September, the Tourism Ministry negotiated 144 deals with foreign companies interested in tourism projects. Most of these companies were from Spain and Italy (31 projects each), Canada (22), and France (12).

According to official estimates, in addition to the construction of new hotel rooms, the development of

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tourism in Cuba up to the year 2000 will require an investment of $150 million in complementary infrastructure (roads, sewage and drainage, communications, and so on) and $213 million in some means of transportation.

De la Vega confirmed that, based on the development trend observed in Cuba's tourism industry, more than two million tourists should be coming to Cuba per year by the turn of the century. This flow of tourists will generate gross earnings for approximately $3 billion.

Thus far, Cuba expects to end 1995 with an estimated total of 740,000 tourists and earnings of approximately $1 billion.

Up to last November, 656,491 tourists visited the country, most of whom came from Canada (124,787); Italy (99,450); Spain (81,247); and Germany (49,756). The number of tourists coming from Canada, Italy, and Spain registered substantial increases compared to the same period in 1994.

With regard to the Latin American markets, Colombia, with 18,195 tourists, registered an increase of 304 percent compared to 1994. Colombia, along with Argentina (30,808), Mexico (28,890), and Chile (13,088) rank among Cuba's top tourism markets in Latin America.

Between 1991 and 1994, Cuba's tourism industry reached an average growth rate of 17.2 percent. According to official estimates, this rate should increase up to 17.7 percent by the end of 1995.

Tourism Industry During 1995, Outlook for 1996 Viewed

PA3112235495 Havana Radio Havana Cuba in Spanish 0000 GMT 22 Dec 95

[Report by Isis Maria Hayen; from the "Evening Information Review" newscast]

[FBIS Translated Text] The year 1995 comes to a close with the month of December recording the most significant increase in the number of daily visitors to Cuba and the tourism industry reaffirming itself as a major economic force in the country's national life.

Following the first six months of the year, which can only be described as depressed, the continuous arrival of a growing number of visitors to the island began sometime during mid-1994 and is expected to reach, during 1995, according to official estimates, more or less 745,000 tourists, representing a 20 percent increase with respect to last year.

Canada continues to be Cuba's biggest tourist market, followed by Italy, Spain, and Argentina, while Colombia has now became part of the list of countries with more travelers to the island.

As relates to economic weight, the tourism sector and its subordinate institutions will end the current year with nearly $1 billion in gross revenues, which meets planned estimates.

However, the importance of this industry has been reaffirmed, not only because of its direct contribution, but also because of its role in reactivating scores of other productive activities, as well as being a valuable source of employment.

With the creation of (Finacorp), a financial firm, it has been possible to carry out major investments amounting to $177.3 million during the past three years, as well as to contribute $91 million to domestic production, which in turn has provided employment to 54,000 workers. More than 60,000 workers are directly employed by the Cuban tourism industry.

These facts are all evidence of the weight international tourism has as an economic alternative that contributes to Cuba being able to overcome the difficult problems caused by the so-called special period.

This industry, from which ever-growing earnings are expected, was recently subjected to an in-depth evaluation during the annual meeting of hotel owners, which was also attended by President Fidel Castro.

During this meeting, a thorough analysis was carried out of the results accomplished by this sector, which still needs to perfect the services offered and improve its general efficiency, aspects in which tremendous strides have been made but in which better results are still expected.

For example, one of the most outstanding results of this activity during the current year has been the reconstruction of the main historical areas of the Cuban capital city where Habaguanex [not further identified] has been able to integrate several establishments into a tourism service network. Profits made from this operation are reinvested in refurbishing and developing that area of the capital city where the population benefits directly by having their homes and educational centers renovated.

On the other hand, the tourism industry has prompted the opening of air links with numerous cities throughout the world. This fact has financially benefited not only the Cuban airline Cubana de Aviacion and the airlines that shuttle tourists to the island, but also the Cuban Civil Aeronautics Institute, which has been forced to increase the services offered and undertake numerous

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investments in renovating airports throughout the island that in turn constitute valuable revenues to the island.

More than 40 airlines are currently operating in Cuba, 39 of which operate on a regular basis and one in a sporadic manner.

The year 1995 comes to an end with 25,000 hotel rooms in existence and an equal amount planned for construction during the next five years.

It is also expected that more and more foreign capital will be invested in the Cuban tourism industry, beginning with the experience accomplished with the joint capital hotels already operating in Cuba.

At the close of the year, Cuba has already signed 24 contracts with 12 foreign companies that include 36 hotels, 26 of which are owned by the Cuban Government, while management and marketing expertise has been recruited from countries such as Spain, Italy, Jamaica, and others.

This type of association has allowed the introduction of modern hotel management techniques in order to provide more efficiency and satisfaction to patrons and at the same time qualitatively and quantitatively increase the flow of tourists to Cuba by taking advantage of the marketing capabilities offered by the country's joint partners.

Cuba closes the year 1995 by occupying the 14th position in the list of 20 Latin American tourism destinations of choice. The island concludes the year with favorable perspectives for 1996 and will continue to develop the various travel options to Cuba, such as business, health, in addition to conventional and specialized cruise tourism, such as the types that began to arrive during the current year.

With clear evidence that the tourism industry has now become an engine for numerous productive activities, a major source of direct and indirect employment, and an activator of fresh and constantly moving capital, the year comes to an end for this sector that has ceased to be a mere grab bag of attempts to grow and has now become an ingredient for economic development.

Reporter Assesses 1995 Achievements

PA0101182496 Havana Radio Rebelde Network in Spanish 1700 GMT 27 Dec 95

["Straight Talk" program with reporter Eddie Rodriguez and program host reporter Osvaldo Rodriguez]

[FBIS Translated Excerpt] [Rodriguez] Today we have with us reporter Eddie Jimenez. Eddie, you have the microphones of the Straight Talk program so you may begin you year's summary and your assessment on what was Cuba's 1995 policy toward the world.

[Jimenez] Osvaldo, I believe the most important foreign policy during this year is precisely to do with a domestic problem.

[Rodriguez] What do you mean a domestic problem?

[Jimenez] I will tell you this: Remember when in 1990 bets were made on how many days the Cuban revolution would last? Further along, and seeing that Cuban politics did not collapse such as in Eastern Europe, then the bets were how long would the Cuban revolution had still to go before suffering an economic collapse. But 1995 has passed and no one in the world bets on how many days does the Cuban revolution have left, instead, when will Cuba's economy rapidly takeoff. This obviously affects us abroad. It affects us abroad simply because our economic partners now seek to invest in Cuba and do not want to possibly be left out of a business opportunity in this country. This has totally changed Cuba's image abroad.

[Rodriguez] Yes, when you speak about the first bet that Cuba would collapse and now the question on the economic takeoff, you are speaking of what are the comments abroad?

[Jimenez] Exactly. That is right. Therefore, this has a bearing on Cuba's image abroad.

[Rodriguez] Of course.

[Jimenez] It is very different from what was discussed abroad in 1990, 1992, and 1993, which were times of economic crisis in Cuba, to what is discussed nowadays abroad about Cuba. And that is our image abroad. This helps us from the point of view of the economy and totally changes the outlook abroad on the Cuban revolution.

[Rodriguez] How do you account for the fact that Cuba's reality is known by our commercial partners and those who were not and have now joined us as commercial partners? You have access to the wire services and the multinational news services and Cuba is not very a positive topic.

[Jimenez] First of all, these are realities that cannot be denied or overlooked. We have commercial partners and there is a nickel boom. This must be known abroad because our partners [preceding word in English] are abroad and form part of Cuban foreign trade. You cannot prevent, for example, that in the world of finance or in the business world it be known that there is a boom in Cuba's economic growth. Not only are the foreign correspondents in Cuba, in addition, there are a

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great number of foreigners, such as the 800,000 tourists who have visited us this year, added to the number of journalists who have come to Cuba. This is such an obvious reality that no one can deny it. In addition, everyone wondered when the collapse would take place for one or another reason. The years have passed and everyone sees that this has not happened.

[Rodriguez] As far as I am concerned I do not see clearly what you seem to see so clearly. I do not think that divulgement is due to the reasons or means you list. I see it more in terms of a diplomatic offensive that the Cuban Government carried out in 1995, headed by our foreign minister, well, headed by Fidel, who has made a few trips abroad in 1995. He visited several countries in 1995. In addition to our foreign minister, there were Cuban ministers and personalities who developed a strong diplomatic offensive in 1995. It seems to me that disseminating Cuba's reality by our own country's protagonists is what has helped make the world know more facts of what is happening in Cuba. If we are going to simply depend on what tourists may tell, or what the partners [preceding word in English] may say, it would be simply half-truths based on what little each of them saw.

[Jimenez] I am going to tell you something, Osvaldo. I had planned to end this conversation by quoting you from the wire services. I will read it to you now so I can reply. I fully agree with what you say about our diplomatic offensive, which we will refer to in the next few minutes. However, CEPAL [Economic Commission for Latin America — ECLA], in its annual assessment says Cuba showed a significant improvement in our macroeconomic policies. This is a recognition by the world community of Cuba's economic headway. This has caused a reaction and will continue to affect our economic relations abroad. There is, therefore, a recognition abroad and is not just the result of a diplomatic offensive, instead, because it is a clear reality of our people's struggle.

[Rodriguez] Getting back to the topic, regarding the diplomatic offensive, in this case our people have been the main target of this economic [word indistinct], in addition, also mainly responsible for projecting Cuba's image differently abroad. The people's struggle, resistance, with this economic takeoff is what we are experiencing.

[Jimenez] Furthermore, the EU is the one who proposed signing an economic agreement with Cuba. It is known in Europe and the European people know this because the news services air this. It is a truth that no one can deny. The same as this case, we have the case of Mercosur [Common Market of the South], which is interested in signing a four plus one agreement with Cuba.

[Rodriguez] What does that mean?

[Jimenez] It is a commercial agreement, an economic agreement.

[Rodriguez] But what does four plus one mean?

[Jimenez] The four Mercosur member countries are Brazil, Argentina, Uruguay, and Paraguay with Cuba, which would be the fifth country. In other words, the four plus one commercial agreement. In other words, when the entire world sees this — integrationist organizations as important as the EEC or like Mercosur in Latin America are interested in signing agreements with Cuba — the entire world will then know that Cuba is not bankrupt. This shows the possibility of economic development and of making mutually advantageous business deals in Cuba. The same holds true with the Association of Caribbean States [ACS], which is within our geographic context. Important countries such as Mexico, Colombia, all of Central America, and the Caribbean belong to the ACS. They have simply said that Cuba has to belong and there we are as members, we are part of the ACS. It is an association with a great future that will grow and we need to follow. Look, Mexico is a ACS member and at the same time it belongs to NAFTA. In a certain way this helps break the blockade. This blockade will sooner or later have to disappear. All this opens new possibilities for us. Trade with the world is no longer 80-percent plus with a single area, such as was the case of trade with Eastern Europe. Now, more than 30 percent of our trade is with Latin America, our own area.

[Rodriguez] I believe this percentage ought to grow.

[Jimenez] And should continue to grow. Excuse me, not with Latin America, but with America.

[Rodriguez] Yes, with America, with America. The problem is that no one would dream of buying from a store that is 2 km away from one's home. Everyone tries to buy from the closest store. Cuba was forced to leave the area and trade with Europe, precisely due to the U.S. economic blockade. As Latin American countries refused to second this blockade, this allowed Cuba to rejoin the Latin American market. [passage omitted]

[Jimenez] You mentioned our diplomatic offensive. Undoubtedly, our diplomatic offensive has been big and thanks to principal diplomat Comrade Fidel Castro. This year Fidel was present in the Caribbean summit, he was present in Uruguay, he was at the Ibero-American summit in Bariloche, at the nonaligned summit, at the United Nation's 50th anniversary. He visited the PRC

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and visited Japan, and although this was a technical stopover, he was received by the prime minister. He visited Canada. Asia is of extraordinary importance to Cuba. It means joining the area of the world's greatest economic dynamism, or attempting to join. China, Vietnam, Japan. This is where the next century's biggest monsters will be — Japan and China.

[Rodriguez] Monsters.

[Jimenez] Economic monsters. This is the area where the world's greatest trade takes place. This shows that our diplomatic offensive has not only been big in connection with 1995, but it has also been big with a view to the future, to get Cuba joined in very important economic areas, which we already know are of basic importance next century. We also need to mention the second Nation and Immigration meeting and the steps that have been taken. Even though this deals with domestic problems, because it is a discussion among Cubans, it is also has great repercussions to our foreign policy. It allows any Cuban abroad to travel to his or her country provided he or she has no pending legal problems — we are not going to turn Cuba into a sanctuary for criminals — or do not have a hostile attitude to the Cuban revolution. This is very important because it gives the revolution a fresh image. It gives an image of dialogue, openness, and so forth. In addition, there are things this year that need to be analyzed, important things. We have managed to reestablish traditional Cuban markets, such as the Russian market, which we analyzed here on one of the Straight Talk programs. We have revitalized our trade, our relations with China. I believe that we have advanced plenty in 1995 and that we will continue to advance in 1996. To conclude, I believe that ECLA's assessment of Cuba's economic situation is very important and will have great repercussion in our foreign policy, our foreign trade in 1996.

TRABAJADORES Editorial: 'The Worst Is Behind Us'

PA2912233895 Havana Radio Rebelde Network in Spanish 1255 GMT 25 Dec 95

[From the "Doing Radio" program; "TRABAJADORES" editorial: "A Clear Strategy" — read by announcer]

[FBIS Translated Text] We Cubans are getting close to the end of the year, with the generalized and growing conviction that the worst is behind us. This does not mean — as has been confirmed by Fidel and Carlos Lage in their most recent public appearances — that the problems regarding the people's material needs are solved. Nor does it mean that we have put behind us sacrifice and hard times. This does mean that we Cubans are proving that it is possible to create in the world today the organization and the necessary conditions to work and advance without abandoning socialist and revolutionary principles, for which we have fought.

During a recent interview by NTV, Lage pointed out that the majority of the nations that renounced socialism — to whom we wish the very best, he added — have not been able to halt the fall of their economies, after the traumatic changes they faced once they opted for capitalism. However, Cuba with less development and natural resources, without external financing, and under a criminally fierce and meticulous blockade, has been able to halt the economy's decline and has begun to recover.

As Fidel stated during the closing of the 10th Science and Technology Forum, we are beginning to see the prize for having had the dignity, patriotism, and valor to resist. Without mentioning any country in particular, Fidel recalled the recent experiences of those countries that abandoned socialism. He asked himself, what is happening, what did capitalism bring them, and did it give them anything for free? Fidel pointed out, that now in most of those countries the voters are going to vote for those who were communist before or for those who called themselves communists or for those who are truly communists.

In Cuba we have kept on voting for socialism, even in the most difficult times of the special period. These exceptional people — who have resisted and who still resist — have been ready to confront all sacrifices, inspired by the economic, political and social programs aimed at defending socialism and national independence. In Cuba, these concepts are indivisible. There have been reforms, transformations and changes, but, the ideas of a centrally planned economy and the predominance of state ownership have not been abandoned. For these reasons — while talking to the forum — Fidel insisted that when we say to defend the accomplishments of socialism, we are not talking about renouncing to the right to continue to build socialism. We could say that in each step towards economic recovery, in each action which improves efficiency, and in each measure which contributes to Cuba's integration to world economy, it is also a step towards strengthening socialism.

As Fidel assured to a highly representative auditorium — the participants in the 10th Science and Technology Forum — this capitalist dust that is falling on us will not change us. The Cuban people's refusal to change their socialist orientation is becoming more a question of common sense because, at the same time, we can clearly see the profile of the elements which represent victory

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and the continuance of our principles. We also clearly see that capitalism offers humiliation, chaos, mediocrity, and a lack of protection for workers and humble people. In contrast with neo-liberal and monetary fund type [fondo monetarista] experiences, Carlos Lage — while talking about the ongoing economic reform — again reiterated that in this area measures must be applied gradually because we are never going to adopt shock policies. We are not going to leave the workers helpless. We are not going to adopt measures which imply massive rationalizations.

How can we not see, in this policy of respect towards the workers' situation, an essential illustration of Cuban strategy and of the ideology that nourishes it. It is a very clear strategy that can be very flexible, but, it subordinates all its measures to the objective of saving the fatherland, the revolution, and socialism.

Commentary Discusses Money Concentration Problems

PA0101003496 Havana Radio Havana Cuba in Spanish 0000 GMT 26 Dec 95

[Commentary by Roberto Morejon; from the "Evening Information Review" newscast]

[FBIS Translated Text] Cuban authorities are quite aware that the adverse excess liquidity in the country, together with the economic crisis of the past years, translates into a not less negative concentration of money.

According to official figures, 82 percent of the money saved by individuals in Cuba is in 14 percent of the accounts deposited in the National Bank. Although it is true that, at the end of 1995, the liquidity in the hands of the population is 24 percent less than the one held in the most critical period in May 1994, the country must still face the consequences of this destabilizing situation.

Vice President Carlos Lage reasserted at a local television station recently, that a greater concentration of money is perceived in the island and, thus, the level of social equity is lower than the one that existed before the economic crisis in 1990.

We also have to bear in mind that the weight of the unavoidable measures adopted in the country to streamline the internal finances has contributed to this lower level of social equity. In the past years, the government budget was marked by a deep deficit and this, together with the mentioned excess of liquidity, has placed a negative stress on our internal finances.

Cuban authorities decided, after previously consulting with workers through the unions, to implement a number of measures, including the increase of prices for non-essential products and of the rates for several services. Thus, the population with less income has seen its purchasing power decrease. Nevertheless, the government is studying the appropriate steps to protect those segments through social assistance.

The fact that health and education services are free in Cuba lessens the burden carried by those sectors in society that have unavoidably felt the weight of the concentration of money and of the measures to streamline the internal finances. It must be noted that 34 percent of the national budget is assigned to social assistance, health, and education services. Furthermore, thanks to the incipient economic recovery, those sectors will receive greater portions in 1996.

The government is also very attentive to the process of income concentration and will not allow it to grow more than what is admissible and in accordance with the principles that regulate the social program in the island. At the same time, the government is making an effort to sustain a regular distribution of food, at low prices, to the population and, although it is far from satisfying the demand, to provide a minimum level of protection.

Cuba has had to make internal adjustments to enter a unipolar world that is very competitive. However, the impact of those adjustments is far from the one suffered by those countries that are victims of the neo-liberal recipes implemented by their governments.

Public Health Minister Assesses National Medicine Program

PA2912221995 Havana Radio Rebelde Network in Spanish 1800 GMT 25 Dec 95

[From the "National Radio News" newscast]

[FBIS Translated Text] The issue of the lack of medicines in the country has been very pressing for several years. Therefore, the Public Health Ministry [Minsap] put forth a national program to improve the management of medicines and to allocate them wherever they are needed the most.

Reporter Elba Alvarez prepared the following report.

[Alvarez] As the year comes to a close, Public Health Minister Carlos Dotres Martinez assessed the performance of this initiative of the Minsap, the National Medicine Program.

[Begin Dotres recording] The program has been improved on the go. We have always been forced to deal with a number of shortages because many millions of dollars are required to import the raw materials needed to produce the medicines required by 11 million people. We are blockaded and at times do not have the credit

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facilities. Unbelievable efforts are made to provide the medicines needed by the people, particularly patients in intensive care, and serious and chronic cases. We cannot always meet the demand 100 percent because we are subjected to a criminal blockade, not only the blockade on the purchase of medicines but also the blockade in general that affects the economy and our national economy is what underwrites the health system. Cuba allocates 7.8 percent of its GNP to the health sector. Thanks to the fact that investments have been made in the pharmaceutical and medical industries, we can lower the cost of medicines by purchasing the raw materials abroad and producing the medicines here in Cuba.

However, we have to keep in mind that 900 different medicines are produced in Cuba. When we say that 260 medicines are unavailable, we are also saying we have 780 other medicines available. [figures as heard] [end recording]

[Alvarez] In the opinion of Minister Carlos Dotres Martinez, the National Medicine Program is the beginning of an upswing and improvement of the system in general, and will provide a better outlook for Cuban health services in 1996.

Basic Cooperative Production Units Face Economic Problems

PA0101004696 Havana Radio Rebelde Network in Spanish 1800 GMT 30 Dec 95

[Report by Diosdado Maso; from the "National Radio News" newscast]

[FBIS Translated Text] The Basic Cooperative Production Units [UBPCs] of the sugarcane and other sectors have set the basis for becoming the agricultural institutions for which they were created by the Politburo and to fulfill the agricultural needs of the country in 1995.

A review of the economic and production results of the more than 3,000 UBPCs in the country in 1995 helped define the units' weak points in need of improvement and their positive output.

A study carried out in the sugarcane sector, for example, resulted in the division of the UBPCs into three groups. This decision confirmed that the three main problems affecting the UBPCs are the lack of labor force, housing, and tools and equipment. Other problems include the lack of administration as well as other cadres; however, in the case of the sugarcane sector, the main problems affecting the UBPCs are the low productivity of the sugarcane, the rest of the crops, and the economic situation due to the aforementioned problems.

There are very few UBPCs showing favorable economic and production results by the end of 1995. Nevertheless, I believe that besides the existing deficiencies in the work of the UBPCs, there are external problems affecting the units. These problems need to be adequately tackled by the respective government entities next year.

For example, this year, various state institutions and sugar mills applied high rates when surcharging their UBPCs. They sold spare parts to the UBPCs at very high prices; the taxes for air and ground transportation as well as the rates for rented trucks were very high. They were charged more for the use of underground water. The use of mobilized personnel was the most costly factor. Therefore, the UBPCs will have to work harder in order to fill their positions and try to carry out all the activities with their available personnel.

One apparent thing is the need to implement new technologies and hire technicians, but this not enough. The great majority of the UBPCs depend on their corporations, as if they were suboordinated to them. On the other hand, the Industrial Automation Center and corporations do not want to regard them as independent economic and legal entities. The economic losses continue to be large in the majority of the UBPCs.

To conclude, although the UBPCs continue to consolidate, there is need for more significant achievements next year.

Fishing Sector Lists 1995 Performance Statistics

PA3112180795 Havana Radio Rebelde Network in Spanish 1800 GMT 29 Dec 95

[From the "National Radio News"]

[FBIS Translated Text] The fishing sector has reported a large growth in Granma during 1995. Lobster fishermen from Niquero municipality had an outstanding performance, and their catch is about to reach 850 metric tons of lobster before the year's end, once again breaking the historic record of 802 metric tons. Rio Cauto shrimp farmers are doing an excellent job as well, having produced 957 metric tons of shrimp, which amounts to 54-percent production increase. Fish breeding exceeded 1,900 metric tons in the 11 reservoirs.

Niquero's fishing plant — the outstanding lobster fishermen being one of its units — has also fulfilled its seabed program [plan of cama] after five years of unsuccessful efforts, and will now begin the restoration of its buildings to match international standards. Production chief Reynaldo Vazquez confirmed this report.

[Begin Vazquez recording] The financing to repair the industry and the causeway [words indistinct] to improve things and increase sales in EU markets has been approved. [end recording]

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Construction Workers To Reduce Delays in Tourism Sector

PA0201040396 Havana Radio Rebelde Network in Spanish 1255 GMT 29 Dec 95

[From the "Doing Radio" program]

[FBIS Translated Text] During the last session of the National Assembly of the People's Government, Commander in Chief Fidel Castro stated that construction workers have failed the revolution. For this reason, Varadero construction workers are trying to make up for their failure, and many of them have suspended their vacations to assure a minimum delay in the completion of continuing projects in the tourism sector, during the end of year festivities.

The losses in the construction investment program in Varadero — one of the topics broached during the Politburo's work visit to Matanzas in September 1994 — is still a pending issue. Following Fidel's criticism of Cuban construction workers, Radio Rebelde interviewed Raul Testar, chief of Varadero's branch of the Union of Caribbean Construction Enterprises [UNECA]. Testar stated that there have been measures implemented to stop the deterioration in the investment process, with actions to rescue pride in the construction sector, such as uninterrupted workdays during December.

The majority of UNECA's workforce — in charge of over 50 percent of nationwide construction efforts — is working at year's end in Varadero to at least partially deliver its most decisive projects: the La Sirena, Oro Verde, Bella Costa, and Punta Blanca Hotels.

The Heroes of Playa Giron Contingent is at the center of an almost 6,000-person workforce, which also comprises brigades of Villa Clara's Abel Santamaria Contingent, Havana's Blas Roca Contingent, and support teams from Santiago de Cuba, Camaguey, and Holguin.

These workers represent the vast majority of the Cuban construction force, and — due to Fidel's criticism — treading the path to recovering the construction sector's pride, which these times demand, is a priority for them. Thus, Varadero's construction workers have answered Fidel's criticism.

Efforts Made To Increase Efficiency of Power Plants

PA0201184096 Havana Radio Rebelde Network in Spanish 1800 GMT 27 Dec 95

[From the "National Radio News" newscast]

[FBIS Translated Text] The electricity sector experienced a slight improvement during 1995, and the operational time of the electricity power plants is also increasing, according to the report presented during the recent session of the National Assembly of the People's Government.

A certain improvement in electricity service is noticeable as the year comes to an end, but this finding should in no way lead one to believe the irritating power outages are about to disappear. The national energy situation makes it impossible for the country to allocate to this sector all the fuel it needs. The efforts of Cuban oil extraction workers in the last few years increased the amount of Cuban crude that is available at our electricity plants.

As 1995 comes to an end, it is possible to assess that the electricity situation was better than last year. The increase in the operational time of the plants, the fulfillment of the maintenance schedule throughout the year, marked the efforts of the national electricity workers. The test runs of the first generator unit at Felton Plant was one of the most significant events of this period, but the lack of fuel made it necessary to persist with those annoying outages although electricity generation grew 5.2 percent. Likewise, household electricity consumption dropped, particularly during the first part of 1995, and the use of Cuban crude grew.

Because the issue of fuel is of vital importance, efforts are now being made to increase the efficiency of the plants through the required technological upgrades. Engineer Carballo, director of the National Electric Union, has commented in this regard:

[Begin Carballo recording] There should be no problem at all if the needed technological modifications are carried out and the plants are given the required maintenance to burn that type of fuel. The trick is to carry out both professionally and technically what is required to burn that type of fuel. [end recording]

The worldwide trend is to use lower quality fuels for electricity generation:

[Begin Carballo recording] Coal is the standard fuel used in most of the world. Fuel oil is best. The fuel usually burned in electricity plants is the lowest grade, as a result of cost considerations, because one saves 10 or 15 percent in the cost of fuel and solves the technological problem with 2 or 5 percent. [sentence as heard] [end recording]

The availability of electricity should remain stable next year even though the sector will not receive all the fuel it needs. The sector experienced a degree of recovery during 1995, but this should not lead one to believe those irritating power outages will disappear in 1996.

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Lack of Cooking Gas Reportedly Worries Some Citizens

PA3012170095 Havana Radio Rebelde Network in Spanish 1800 GMT 29 Dec 95

[From the "National Radio News"]

[FBIS Translated Text] Lack of cooking gas in some neighborhoods in Havana had many in the city worried this morning. Reporter Pepe Suarez investigated the situation and has good news for National Radio News listeners.

[Begin Suarez recording] Repairs and electricity maintenance work scheduled at Melones plant of Havana cooking gas enterprise left many stoves without gas this morning in the city. National Radio News interviewed comrade Jesus Regalado, Melones duty chief, who stressed the quality of the work performed in the plant, and confirmed the reestablishing of the gas service beginning at noon today.

Regalado stated that there are currently over 100,000 cubic meters of gas stored in Melones plant, and Mario Fortuni plant's two pipes are successfully working thanks to the repairs and investments which took place in 1995. Regalado added that there will be no gas shortage in Havana during the end of year celebration, and he wished gas workers and all the Cuban people the best. [end recording]

ICAP Presents First Issue of HABANERA Magazine

PA3112204795 Havana PRENSA LATINA in Spanish 2351 GMT 29 Dec 95

[FBIS Translated Text] Havana, 29 Dec (PL) — The Cuban Institute of Friendship With the Peoples (ICAP) presented today, in this capital, the first issue of the HABANERA magazine, created by ICAP to publish Cuba's reality and foment international solidarity with the island.

The publication, whose frequency has not been announced, will circulate among associations of friendship with the Caribbean nation in 116 countries. This is the result of a joint effort by Basque Editor Santiago Santamaria, ICAP President Sergio Corrieri reported upon presenting the material.

The president of ICAP — the institution in charge of the reception and coordination of world solidarity with this country for 35 years — said that HABANERA intends to reflect in its pages all of the diversity of the Cuban people, stressing its human profile.

Roundup of Politburo Members' Activities Through 30 Dec

PA3112143795

[FBIS Editorial Report] The following is a compilation of reports on the activities of Cuban Communist Party Central Committee Politburo members monitored through 30 December.

Speaking at the closing of a week-long seminar for Committee for the Defense of the Revolution (CDR) coordinators, Politburo member Jose Ramon Machado Ventura said today that in the face of a new reality the CDR must foster creativity. The over 100 CDR leaders from all over the country who participated in the meeting heard information on the country's major programs and discussed the experiences from their neighborhoods. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 17 Dec 95)

The students cavalry that is retracing the march by General Antonio Mace through the Ciego de Avila Province, during the war of independence, held a ceremony in an area close to city Ciego de Avila. Culture Minister Armando Hart delivered the key note address. Politburo members Juan Almedia Bosquez, vice president of the Council of State, Foreign Minister Rober) Robaina, and Alfredo Hondal also presided over the ceremony. (Havana Radio Rebelde Network in Spanish 1800 GMT 18 Dec 95)

Politburo member Carlos Lage Davila visited on 17 December the Carlos Manuel de Cespedes Thermoelectric Plant in Cienfuegos Province. He was briefed on the general maintenance work being done on the plant's unit number three. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 18 Dec 95)

On the 34th anniversary of the date in which the country was declared free of illiteracy, a national ceremony was held in honor of the country's educators in the city of Santiago de Cuba. Attending the ceremony were Politburo member Pedro Ross Leal, secretary general of the Central Organization of Cuban Trade Unions, and Vilma Espin, president of the President of the Cuban Women's Federation. Politburo member Juan Almeida Bosque and Foreign Minister Roberto Robaina, have met in Havana with (Junu Matsenge), the new ambassador from the Republic of Congo. Following the solemn ceremony, the new ambassador placed a wreath at the Jose Marti Monument. (Havana Radio Havana Cuba in Spanish 0000 GMT 24 Dec 95)

Talking to the "Doing Radio" newscast, Candido Palmero Hernandez, Politburo member and first secretary of the Communist Party of Cuba in Havana Province, said state entities must play a bigger role in

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the farmers' markets to bring down prices. According to Palmero, state entities, such as state farms and Basic Production Units, must take on this responsibility by raising production and quality and offering a greater variety of products. (Havana Radio Rebelde Network in Spanish 1255 GMT 28 Dec 95)

Juan Almeida Bosque will preside the delegation that will attend the funeral of Barbadian Governor General Nita Barrow. Carlos Zamora Rodriguez, director of the Foreign Ministry's Latin American and Carribean Office will accompany him. (Havana Radio Rebelde Network in Spanish 1800 GMT 29 Dec 95)

Barbadian Prime Minister Owen Arthur met with Juan Almeida Bosque following the funeral ceremonies of that country's Governor General Nita Barrow. Almeida delivered a messages of condolence from President Fidel Castro on behalf of the Cuban people. (Havana PRENSA LATINA in Spanish 1644 GMT 30 Dec 95)

In his new year's greetings to the Cuban people, Pedro Ross Leal praises the work Radio Rebelde has performed "in support of the tasks" the revolution has undertaken. (Havana Radio Rebelde Network in Spanish 1800 GMT 30 Dec 95)

Roundup of Sugarcane Developments Through 31 Dec

PA3112204895

[FBIS Editorial Report] The following is a compilation of reports on sugarcane and sugar industry developments in Cuba monitored through 31 December.

During 1995 the province of Matanzas reaffirmed its reputation as the province that continually provides the best biological attention to its sugar cane plantations. The National Biological Struggle Program established this past December a new historical record in the release of a variety of Cuban flies specially bred to attack the borer insect that affects sugar cane. As relates to Matanzas, the national sugar cane biological program, first implemented in 1980, represents the recovery of nearly 100,000 tons of sugar due to the control of the borer insect, which in turn represents nearly $20 million in savings to the country. (Havana Radio Rebelde Network in Spanish 1800 GMT 26 Dec 95)

Workers from the Nelson Fernandez Tire Factory, located in San Jose de Las Lajas, recently announced that they had met their rubber tire production objectives for the 1995-96 sugar harvest. The factory recently delivered 3,645 front tractor tires to the MINAZ (Ministry of Sugar Industry) that will be used during the current sugar cane harvest. The tire factory has now been commissioned to manufacture 1,700 additional tractor tires. (Havana Radio Redelde Network in Spanish 1800 GMT 13 Dec 95)

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Truckers To Close Bridges; U.S. 'Not Complying With NAFTA'

PA0101235296 Mexico City REFORMA in Spanish 29 Dec 95

[Report by Jorge Reyes; received via Internet]

[FBIS Translated Text] Edmundo Delgado, president of the National Confederation of Cargo Merchants and Transportation Owners [Confederacion Nacional de Comerciantes y Transportistas de Carga], asserted yesterday that his organization hopes to close all the international bridges because U.S. and Canadian authorities are not complying with NAFTA and disloyal competition in the cargo transportation sector is being furthered.

"All the time truck drivers pass with borrowed names [prestanombres] and superimposed plates. They have even gotten to Mexico City and lowered their return freight rates. This is totally disloyal competition, because they cheapen rates to get return cargo, and it hampers the Mexican cargo transportation sector.

"If necessary, we have even scheduled closing the international bridges to ensure that not one single foreign truck goes through, because they are furthering a totally disloyal competition and, in a unilateral manner, are also disregarding NAFTA," he asserted.

Interviewed at the Mexico City airport, Delgado commented that the arbitrary actions of the two North American countries have to be countered and that they are trying to find several ways to protest, such as the closing of those international entrances. He added that they will try to get all the people who live in the border areas to intervene in such actions.

He observed that such illegal entries are also occurring in the southern border and gave the example that several Guatemalan transportation workers enter the country very easily, but Mexican truck drivers face too many obstacles to enter the Central American region.

"To go into the United States you have to have a [passage indistinct] of dollars when dangerous material is being transported, which is unattainable for Mexicans who could not even pay this with the cargo," Delgado asserted.

The president of the Mexican transportation confederation pointed out that their objective is mainly to get the authorities of the three countries involved in this problem to reach a fair agreement — an agreement that establishes that Mexicans can enter the United States and Canada without so many requirements, just as they can here in Mexico.

"The National Cargo Transportation Chamber will be totally ostracized if it does not work to benefit the transport workers," he pointed out.

Zedillo Announces Projects for Baja California

PA2912183995 Mexico City XEW Television Network in Spanish 0400 GMT 23 Dec 95

[From the "24 Hours" newscast]

[FBIS Translated Excerpt] On the second day of his tour in Baja California State, President Ernesto Zedillo has announced in Mexicali that in 1996 the National Water Commission will invest 114 million new pesos in this state for potable water and clean up operations especially in the Bay of Ensenada and Rio Nuevo, which crosses the cities of Mexicali and of Calexico, California. [passage omitted]

During the meeting, the state governor and the director general of the Federal Electricity Commission signed an energy saving program that includes the insulation of houses and replacement of air conditioners for energy efficient equipment. This program will cost 500 million new pesos. The president met with members of the 15th state legislature and the presidents of the five town councils. [passage omitted]

The federal chief executive flew to Nuevo Leon Ejido to sign the Alliance for the Countryside of Baja California. He announced a program to modernize the agricultural district of the Valley of Mexicali. [passage omitted]

Secretary Gurria Assesses Year's 'Achievements'

PA0201210496 Mexico City NOTIMEX in Spanish 1814 GMT 25 Dec 95

[Report on interview with Foreign Minister Jose Angel Gurria Trevino by unidentified NOTIMEX reporter in Mexico City; date not given]

[FBIS Translated Text] Mexico City, 25 Dec (NOTIMEX) — Mexican Foreign Relations Secretary Jose Angel Gurria Trevino stated today that the Mexican Government's foreign policy, whose objective is to maintain and strengthen the country's sovereignty, has prioritized for this year a series of mechanisms leading toward integration at an international level.

In an interview with NOTIMEX, Gurria Trevino assessed the first year's achievements of President Ernesto Zedillo's government. Among these achievements, he underscored the "new understanding" with the United States and the country's revitalized presence at international forums.

Among other achievements in foreign policy, Gurria Trevino mentioned the consolidation of a "privileged

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association" with Central America and the "revitalized vigor" toward dialogue and integration with Latin America through the Rio Group and the Ibero- American Summit.

The Mexican Government proposed a "new understanding" with the U.S. Government so as to express the political resolve to reach concerted solutions to the problems presented by the neighboring country as well as to eliminate unilateral measures.

Gurria Trevino stated: "Regarding the migration phenomenon, the Mexican Government has intensified its efforts to protect the dignity of our fellow countrymen residing abroad because this problem demands an open and productive dialogue to reach a solution."

The Mexican foreign relations secretary recalled President Zedillo's recent visit to the United States. During this visit, the Mexican president promoted a "new understanding" on migration, border problems, and the situation of Mexicans who reside illegally in that country.

Gurria Trevino recalled that during this visit, the fight against drug trafficking and drug consumption were also discussed as well as the outlook of the Mexican economy, about which he said there are signs of recovery indicating that better conditions can be expected for 1996.

Gurria Trevino pointed out that drug trafficking, which President Zedillo has described as the main threat to national security, "is clearly a worldwide phenomenon that calls for each nation to assume its own responsibility so as to fight it effectively."

Regarding this problem, Gurria Trevino said Mexico is working at the national, bilateral, regional, and multilateral levels to join efforts, modernize laws, exchange training and informatioa, and coordinate strategies with other nations.

He added that Mexico has strengthened its ties with Latin America and the Caribbean as a priority throughout this year. As chief of state, President Zedillo first visited Guatemala where a joint program was established for the sustained development of border communities.

Gurria stated that since Belize plays an important role in the international agenda and could act in the future as a catalyst for regional development projects for southeastern Mexico, President Zedillo met three times with the Belizean prime minister.

He added: Mexico is determined to consolidate a "privileged association" with Central America. Therefore, the Mexican Commission for Cooperation with Central America has developed more than 820 important projects during this administration.

In addition, Mexico is determined to promote a "revitalized vigor" toward political dialogue and integration in Latin America through two entities for coordination: the Rio Group and the Ibero- American Summit.

Free trade agreements have been implemented with Chile, Colombia, Venezuela, Bolivia, and Costa Rica while negotiations for a similar treaty with Nicaragua are drawing close to an end.

Gurria Trevino pointed out that similar negotiations were made with "Northern Triangle" countries — Guatemala, Honduras, and El Salvador —, and "we are prompt to start negotiations with Panama, Peru, and Ecuador.

He stated: "We are promoting a respectful understanding for our mutual benefit with North America, we are attempting to have closer ties and expand our contacts with the economies of the Pacific Basin region, (and) we are seeking a closer relationship with the EU."

Given their geopolitical position and the large number of cooperation accords and financial and commercial agreements they have, these zones "comprise the platform on which our diplomacy is based to reach its goals," Gurria Trevino said.

He said: Mexico has diplomatic relations with 175 countries in the world and it is part of the leading regional and world forums for political and economic consultation, which contributes to the effective diversification of our international ties.

He said Ernesto Zedillo carried out nine international tours, three of a bilateral nature with Guatemala and the United States, and five of a regional nature; he participated in various meetings, as well as held 58 meetings with heads of state and government in the world.

Given its strategic role of diversification, by signing the EU's Solemn Joint Declaration, Mexico assumed a leading role in the association plans that this group of countries has with non-European nations.

In the same vein, he added, Mexico is making increasingly greater diplomatic efforts to strengthen its presence in the Asia-Pacific area by participating actively in the Asia Pacific Economic Cooperation (APEC).

APEC strengthens the strong ties that already exist with Japan, China, and Korea, and also allows Mexico to expand its presence and the promotions it has made in markets of the ASEAN [Association of Southeast Asian Nations] and in the South Pacific, he added.

In Miami a year ago, Mexico also participated actively in the hemispheric summit and this was considered

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to be the current administration's first international participation, Gurria explained.

The foreign secretary recalled that the nations that gathered in that summit agreed to establish a hemispheric free trade zone by the year 2005 and to promote integration through concerted actions in 23 areas of common interest.

"We signed free trade agreements with five Latin American nations including Colombia and Venezuela within the Group of Three," and Mexico is currently involved in negotiations of this nature with the four countries of Mercosur [Common Market of the South]," he stated.

Gurria underscored the close ties established with Chile and the expansion of the potential for complementarity and understanding on various issues.

Mexico is convinced that Latin American integration does not run counter to the nations' efforts to achieve a rapprochement with the main world economies, quite the contrary, "it is an essential instrument of our economic policy," the foreign secretary said.

Gurria underscored that the NAFTA, which includes the world's largest economy, is by itself a factor for stability and for the promotion of total trade in the region."

The official noted that on occasion of the 50th anniversary of the United Nations, Mexico reaffirmed its strong determination to ensure that its positions are duly reflected in the structure of the international system of the next century.

As for nuclear weapons, the Mexican foreign secretary said that "today, more than ever, Mexico is convinced that international security is an indivisible good that all nations must preserve regardless of their military or economic power."

Thus, the conference to revise the treaty for the nonproliferation of nuclear arms exposed the link between the consolidation of an effective nonproliferation regime and progress toward the swift prohibition of mass destruction arms.

Finance Ministry Bulletin Reviews 1996 Outlook, Goals

PA2912154395 Mexico City XEW Television Network in Spanish 0400 GMT 26 Dec 95

[Report by Laura Padilla from the "24 Hours" newscast]

[FBIS Translated Text] The Finance and Public Credit Secretariat said today that Mexico will have to pay fewer matured debts in foreign currency than those paid this year, thus allowing a better outlook for the Mexican economy, which somewhat alleviates the situation.

The secretariat issued a press bulletin reporting that public debt payments in foreign currency coming due next year will total almost $9 billion, which the Finance Secretariat terms extremely favorable if compared with matured debts in excess of $40 billion that Mexico had to pay in 1995.

Out of the almost $9 billion that the Federal Government will pay for the foreign debt in 1996, $6 billion represents payments coming due with international organizations, such as the World Bank and the IMF; the market maturity dates will total $2.7 billion; and only $200 million involve Tesobonos [Treasury Bonds]. Mexico had to pay more than $29 billion in Tesobonos this year.

The Finance and Public Credit Secretariat explained the Mexican Government's foreign debt policy for 1996 has the following goals:

1. Reduce the cost of financing the public sector and extending the public debt maturity dates' structure.

2. Substantially reduce the vulnerability regarding interest rates' variations, foreign exchange parities, and sudden changes in the structure of investors' portfolios.

3. Guarantee better finance conditions in terms of amount, term, and interest rate.

4. Achieve progress in the refinancing process to attain an amortization timetable that is as uniform as possible.

Canacintra Head on 1996 Economic Recovery Prospects

PA0101144696 Mexico City REFORMA in Spanish 29 Dec 95

[Report by Mariel Zuniga — received via Internet]

[FBIS Translated Text] Victor Manuel Terrones Lopez, president of the National Association of Manufacturers (Canacintra), has predicted that the country will experience an economic recovery as of the first quarter of 1996 and it will mainly be experienced by the food and petrochemical sectors.

Terrones Lopez added that the growth will be gradual and that a stronger recovery will be achieved at the macroeconomic level by year end.

Terrones Lopez stated his confidence that the successful implementation of the reforms to modernize the Social Security Institute will promote the growth of domestic savings until these reach 60 percent of GDP in a period of 25 years.

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However, he said that a structural reform to improve the medical services and the Social Security Institute must be implemented without sparking any conflict with the financial stability of that organization "as it has reached its limit."

"These reforms will grant financial stability to the institution, because without it, it is impossible to talk about a social security system that provides benefits and quality and caring services to 47 million members," he pointed out.

The Canacintra leader noted that some political progress has been made and that politics must be kept apart from economics so as to avoid upsetting the country's stability.

"The country is growing in all areas, and we are even heading toward a civilized political culture," he stated.

Government To Pay $1.666 Billion in First Half of 1996

PA2912132895 Mexico City EL FINANCIERO in Spanish 22 Dec 95 p 8

[Report by Maria de Jesus Osterroth L.]

[FBIS Translated Text] A study conducted by the Mexican Institute of Financial Executives (IMEF), based on figures provided by the Chemical Bank, has pointed out that in the first half of 1996, the public sector is scheduled to pay $1.666 billion in debts that will mature in world markets, that is, more than 800 percent of the financial commitments it faced in December 1995.

The study indicates that in the last month of 1995, the public sector had to pay $200 million in debts that reached maturity, and that by the end of December 1996, it will have to pay $488 million.

Meanwhile, the corporate sector will have to pay $370 million in debts that will mature in the world markets in the first half of 1996, which represents a contraction of 119 percent compared to figures paid in December 1995.

According to the figures provided by the Chemical Bank, up to the last month of 1995, the corporate sector had to pay $813 million for debts that reached maturity in the world markets, whereas payments for $1 billion have been estimated for the same period in 1996.

In the study dubbed Strategies To Access the World Markets of Capital, Humberto Perez Rocha, member of the IMEF, mentioned that "if it were not for the success achieved in placing each issue, a large number of issuers would be facing a very complex rescheduling process and/or with a competitive disadvantage, since their only alternative would have been not to execute the projects or finance them with new pesos, which are subject to floating rates."

The specialist also said that all the placements of Mexican financial instruments in the world markets represented opportunities to boost international competitiveness in light of the commercial opening.

Despite the recent exchange losses experienced by the issuers, the competitive advantages achieved by accessing world markets greatly surpassed the cost of the exchange losses. These losses will have a direct effect on the issuer's cash flow in the same periods and proportionally to principal payments.

Even after the devaluation of December 1994, the increase in the financial cost paid by the issuing companies amounted to 72.2 percent up to last 30 June. In addition, this increase has already been included in the cost structure and "its negative effect is lessened because of its fiscal deductibility and the maturity dates."

Perez Rocha noted that if the said debt had been denominated in new pesos, the increase in the gross financial cost would have amounted to 277.7 percent, thus having an immediate negative effect on the issuing company's cash flow.

Of a sample that represents at least 75 percent of the total outstanding corporate issues, 12 percent will mature in 1995; 14 percent in 1996; 20 percent in 1997; 27 percent in 1998; 6 percent in 1999; and the remaining 21 percent from 2000 to 2023.

Authorities Reject Request by Salinas De Gortari

PA3012143695 Mexico City Radio Red Network in Spanish 0000 GMT 27 Dec 95

[Report by Juan Carlos Carmona from "The Night Monitor" newscast]

[FBIS Translated Text] Toluca Second District Judge Jorge Mario Pardo Rebolledo today issued a resolution rejecting the amparo [habeas corpus] filed by Raul Salinas De Gortari against an arrest warrant for the presumed accessory in Jose Francisco Ruiz Massieu's murder.

Jose De Jesus Cortes, coordinator general of the special prosecutor's office under the Attorney General's Office, in charge of investigating the murder of former Institutional Revolutionary Party secretary, announced the decision today. He added the next hearing on the Massieu case will be held on 3 January in Mexico City.

Regarding the accusation of embezzlement against Salinas De Gortari, De Jesus Cortes said De Gortari has not

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yet been summoned to give the corresponding declarations.

EZLN Demands Trial Against Salinas for 'Treason'

PA0201172796 Mexico City LA JORNADA in Spanish 31 Dec 95

[Report by Rosa Icela Rodriguez — received via Internet]

[FBIS Translated Text] The Zapatist National Liberation Army (EZLN) has demanded a historic trial against Carlos Salinas and his accomplices "for treason against the country, ethnic cleansing, war crimes, and the violation of the people's will as expressed on 6 July 1988." Likewise, the EZLN has demanded the opening of an investigation into "his accomplices who today hide behind historical forgetfulness." Among these accomplices we can mention: Carlos Castillo Peraza, Diego Fernandez de Cevallos, "those foreigners" Girolamo Prigione and Joseph Maria Cordoba, Eduardo Robledo, Julio Cesar Ruiz Ferro, Abasalon Castellanos, Patrocinio Gonzalez, and Elmer Setzer.

Cuauhtemoc Cardenas yesterday publicly announced details about the two EZLN communiques. In the first one, Subcommander Marcos, in the name of the Clandestine Indian Revolutionary Committee-General Command (CCRI-CG), urges him "to do them the favor of publicly announcing to the nation, the Mexican people, and whomever he may deem befitting" the suit against Salinas and his accomplices. At the same time, the EZLN subcommander acknowledges the PRD [Party of the Democratic Revolution] leader "for his honorable track record and commitment to the peaceful struggle for democracy, liberty, and justice."

The armed group has told Cardenas that "he has been labeled as inflexible and radical on numerous occasions due to his commitment to this struggle but that history sooner or later will be responsible for placing every one in his rightful place. His reputation has increased today and brings to memory all his claims against those who defrauded the Mexican nation."

The second communique dated 14 December includes pronouncements "against Salinas and his accomplices" whom he accuses of "being directly responsible for the conflict taking place in Mexico. Their actions and oversights have prompted the Indians from the southeastern regions to take up arms in order to be heard," the reason why Salinas must appear before Mexico to give an account [words indistinct].

"Recent disclosures about criminal activities involving Carlos and Raul Salinas, the communique states, are evidence of the justness of the demands the EZLN has been making since 1 January 1994" and that "the state party system, a camouflage for a dictatorship, is the one that promotes, encourages, and conceals the organized crime that is able to enter the government by way of corrupting, deceiving, and defrauding the people's will."

It is for this reason why the EZLN has decided to "demand a historic trial" against Carlos Salinas for the crimes of "treason against the nation," by way of "the signing of NAFTA and which includes the sale of the country's resources to foreign interests, the shameful negation of the nation's history, and the surrender of the future of all Mexicans to designs that have no objectives other than money and profit."

The EZLN has also decided to demand a trial against Salinas on charges of "ethnic genocide perpetrated against the native inhabitants of Mexico's lands who became the victims of a criminal, economic program that led to the death of tens of thousands of Indians" and of "war crimes" committed during the conflict that began on 1 January 1994. These war crimes "involved the imprisonment, disappearance, rape, torture, and mass executions of the Chiapas Indians who rose up in arms availing themselves of the right granted by Constitutional Article No. 39."

In addition, the EZLN has asked that Salinas be brought up on charges of "violating the people's will." This crime was perpetrated on 6 July 1988 when most of the Mexican people expressed, via the legal and peaceful path, their support for a change toward democracy, freedom, and justice. "Carlos Salinas and his accomplices violated the people's will to achieve power."

The EZLN asked that Carlos Castillo Peraza and Diego Fernandez de Cevallos, of the National Action Party (PAN), be investigated. According to the EZLN, Castillo Peraza and Fernandez de Cevallos "helped Salinas defraud the people's will and push the country toward the economic model known as neoliberalism, which has plunged most of the Mexican people into abject poverty and hopelessness."

As for Vatican Ambassador to Mexico Girolamo Prigione and Joseph Marie Cordoba Montoya, former head of the Presidency Office, "foreigners that [words indistinct] nationals, who helped Carlos Salinas to sell the country abroad, mortgaged the future of all Mexicans, established closer ties with drug traffickers, and bought the ecclesiastic blessing for the criminal system we must endure today."

The EZLN mentioned Eduardo Robledo and Julio Cesar Ruiz, "the usurpers of the Chiapas government, who helped Salinas steal the nation's money, strip the

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Chiapas people of their right to govern and be governed, and lead the dirty war against the civilian society of Chiapas." The EZLN also included on its list former Governors Absalon Castellanos, Patrocinio Gonzalez, and Elmar Setzer, "former Chiapas viceroys who helped Salinas persecute, imprison, rape, torture, slay, and disappear thousands of Chiapas residents whose only crime was to fight for their rights."

Three days after receiving the documents, PRD leader Cuauhtemoc Cardenas disclosed them a day before New Year's eve. He took the communiques to local and foreign reporters and said he only "wanted to comply with the petition that came from Chiapas." He said he met with the leaders of the EZLN and Subcommander Marcos in the conflict area on 8 December "in an effort to find the means to speed up the peace negotiations."

Cardenas added that he did not meet with any reporter in Chiapas on this occasion, and only a newspaper from Tuxtla Gutierrez disclosed the news about the meeting.

He said the purpose of his visit to the EZLN was to discuss such key topics as detente and peace and to be able to have government negotiators who were more sensitive and determined to reach true peace agreements. He said his role has been "to better understand the situation so as to be able to contribute in reaching these agreements in the shortest possible time."

A DPA dispatch in the afternoon reported on a presumed criminal accusation filed by the EZLN against Salinas. This accusation, which includes charges of treason against the motherland and war crimes against Salinas, will be submitted in the first days of January to the PGR [Attorney General's Office], led by a member of the conservative party PAN.

Nonetheless, Cardenas has clarified that this accusation will be explained only to the national and international public.

Government, Rebels, Agree To Ease Chiapas Tension

PA3012175195 Mexico City XEW Television Network in Spanish 0400 GMT 30 Dec 95

[FBIS Translated Text] In Chiapas, the climate of tension is vanishing.

The Federal Government and the Zapatist National Liberation Army [EZLN] have reached an agreement that has put an end to the crisis situation and tension that had arisen in Chiapas.

This has been announced by members of the Harmony and Peace Commission (Cocopa) and by members of the National Mediation Commission [Conai].

During a news conference, Conai representative Juan Banuelos explained the commitments acquired by the two sides.

[Begin Banuelos recording] The EZLN has confirmed that its new installations and its recent activities have no military objective. The meetings, which are scheduled to take place in the next few days, will attempt to promote civilian participation in the peace process.

Likewise the Federal Government affirms its respect for the mentioned installations and events by suspending all its patrols and keeping the Mexican Army where it is now not to threaten anybody but to offer itself as an indirect guarantor that events will take place in an orderly fashion. [end recording]

Conai and Cocopa have issued a joint communique in which they state that with this decision both the Federal Government and the EZLN have confirmed their political will and that once again the dialogue path has demonstrated it is the suitable path in Chiapas.

The two commissions added that now that the tense situation has been overcome, the political process based on the dialogue has been strengthened. They confirmed that the Special Forum on Indigenous Rights and Culture will begin on 3 January and that on 10 January there will be a negotiations round between representatives of the Federal Government and of the EZLN.

The news conference where this was announced was attended by Miguel Alvarez, special secretary of Conai, and Cesar Chavez, of the Party of the Democratic Revolution, in representation of Cocopa.

Zapatists Celebrate Second Anniversary of Uprising

PA3112183795 Mexico City REFORMA in Spanish 29 Dec 95

[Received via Internet]

[FBIS Translated Text] The Zapatist National Liberation Army [EZLN] yesterday began its celebration of the second anniversary of its armed uprising and dedicated four new cultural centers [Aguascalientes].

In a communique to dedicate Aguascalientes II, EZLN Commander Guillermo said that if the government uses its Army to destroy these new centers of culture, it will become evident to the people of Mexico and the world that the government serves only to destroy its own roots.

Commander Guillermo said: "Brothers, we are neither afraid of nor concerned with the threats of the big, bad government. We have already demonstrated that we can build peace with our civilian brothers, that we can

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gather not only to prepare for war, but also to safeguard democracy, justice, and liberty."

During the dedication, celebrated in the most pristine Maya tradition, dozens of white candles were lit and the Indians prayed with their heads touching the ground to ask for well-being for their community.

A heavy rain whipped the new zapatist "boat-shaped" center as harps, lyres, marimbas, and wooden flutes played tunes to which militia people and civilians danced in sludgy grounds.

Speaking at the temple, which looks like a boat adorned at the center with a figure of the Sacred Heart of Jesus and a large Mexican Flag, Guillermo cautioned that if the Mexican Army were to destroy the new Aguscalientes, they would build more throughout the country.

Yesterday, in contrast with the dedication of the first Aguascalientes, on 8 August 1994, the EZLN General Command wore civilian clothes and head-masks, carried no weapons, and held no military parade.

The dedications of the Aguascalientes in Oventic, Morelia, La Garrucha, and La Realidad were simultaneous.

Yesterday morning, Army helicopters and airplanes flew over the Altos de Chiapas and the Chiapas jungle area as part of a special operation.

Authorities Arrest Two Leaders of El Barzon Movement

PA0201210296 Mexico City XEW Television Network in Spanish 0400 GMT 27 Dec 95

[From the "24 Hours" newscast]

[FBIS Translated Excerpt] Two leaders of El Barzon Movement, Alfonso Ramirez Cuellar and (Enrique Perlas), were arrested and transferred to the Eastern Prison in Mexico City on 22 December for taking the manager of an auto rental company, where they staged a sit-down strike in March 1995, as a hostage. El Barzon Movement members have opposed the arrest of their leaders by staging sit-down strikes, which PRD [Party of the Democratic Revolution] leader Cuauhtemoc Cardenas has supported.

On 26 December, Victor Villegas, acting head of the 23d Penal Court, sentenced the El Barzon Movement leaders to three years in prison. Because the sentence is for less than three years, they have the right to be bailed out. However, Judge Villegas said he could not set the amount of the bail and forwarded the case to the modern room of the Superior Justice Court in Mexico City. He first explained that the reason why he did this was because the sentence had been appealed.

[Begin Villegas recording] From the moment the leaders filed the appeal I no longer had any authority on the case. [end recording]

He then admitted that he had never set bail.

[Begin recording] [Unidentified reporter] [Words indistinct].

[Villegas] No, I cannot do it, because it is a firm sentence. [end recording]

After reporting a number of irregularities in the process against the former El Barzon Movement leaders, their lawyer, Armando Herrera, said they were not pleased with the judge's decision to forward the case to the Superior Justice Court, because he will be on vacation until 1 January 1996 and because it will delay the release of the movement leaders.

They went to the 4th Federal District Court, which is located in the Eastern Prison itself, to take the necessary steps to file a writ of amparo [habeas corpus], which was granted, against the irregularities of the case. This court asked Judge Villegas to provide the files on the leaders of El Barzon Movement prior to 1730 on 27 December. It is then when the legal situation of those arrested will be determined. Meanwhile, El Barzon Movement members were gathered outside the Eastern Prison, and a group of grenadiers was watching them. [passage omitted]

Finance Secretariat Announces Public Debt Law Changes

PA0201205896 Mexico City EL FINANCIERO in Spanish 22 Dec 95 p 7

[FBIS Translated Text] The Finance and Public Credit Secretariat (SHCP) today reported that, starting on 1 January 1996, the Public Debt, Budget, Accounting, and Federal Public Spending Laws will be appended and reformed.

In a decree published in the DIARIO OFICIAL DE LA FEDERACION, it was explained that Article 18 will be appended to the Public Debt Law to clarify the cases in which direct or contingent liabilities will be considered in the compliance with these obligations.

It is also explained that, in the case of the Budget, Accounting, and Public Spending Law, Article 30 will be modified to clarify the conditions of the service of the obligations stemming from financing projects linked to priority programs.

Meanwhile, the National Finance Bank [Nafin] will seek to implement new promotion strategies in the intermediate stock exchange of 1996 in order to achieve a larger acceptance at the market and better price setting.

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Marcos Ramirez Miguel, Nafin investment bank director, pointed out that, in light of the 99 percent increase in the volume traded between January and November 1995, as compared to 1994 figures, Nafin will continue to make bigger efforts in its task of making the companies trading in these markets better known.

Ramirez explained that, despite the drop in the intermediate market index, the amount of operations went from 138 million new pesos recorded in 1994 to 271 million new pesos by late November 1995.

"This large increase in the operation volume stemmed from the promotion Nafin conducted along with the brokerage houses of the intermediate market," he maintained.

The official underscored that MacMa Group, Opcion, Nutrisa, Medisa, Medica, and Dixon stand out among the year's six more quoted issuers.

In referring to the recent placement of the Inter-American Entertainment Corporation [Corporacion Interamericana de Entretenimiento] (CEI) at the B section of the securities market, Ramirez disclosed that, until yesterday, a large demand for its shares had been noted due to the clout and presence of the company's activities, which are a major financial success.

It is worth recalling that Nafin acts as a financial agent of the operation given its condition of market developer in this section. He added that the development of this market in 1995 was adversely affected by the country's economic and financial situation. However, he stressed that in view of this situation, Nafin will consider new strategies that will allow an improvement in the auction systems in order to consolidate this market's operational conditions.

In closing, it was said that the Mexican Association of Stock Exchange Intermediaries [Asociacion Mexicana de Intermediarios Bursatiles] (AMIB), the Mexican Securities Market, and the National Banking and Securities Commission are working together on a proposal to change the rules and strategies guiding this market.

BMV Reaches Historic Peak in 2 Jan Operations

PA0301041396 Mexico City Radio Red Network in Spanish 0000 GMT 3 Jan 96

[From "The Night Monitor" newscast]

[FBIS Translated Text] The Mexican Securities Exchange [BMV] registered today — the first business day of 1996 — a positive trend, perhaps one of the best trends observed in the past years. Here is Antonio Guzman with a report:

[Guzman] Good afternoon. The BMV was definitely off to a good start today, the first business day of 1996, as its leading indicator closed at 2,929.43 units. What does this figure represent? Basically, that the BMV has reached a historic new peak regarding the country's stock transactions. The last time the leading indicator reached a historic peak was on 8 February 1994, when it reached 2,881 units. Today, the BMV surpassed this previous record by more than 30 or 40 points, thus registering a new historic peak.

At the end of this first business day of 1996, the BMV closed operations with profits of 5.43 percent, while the increase registered in points was 150.96. The volume of traded securities amounted to 154 million, which is also one of the best volumes ever traded in the BMV.

Concerning the price of the dollar, today was also a favorable day for the peso, since there was no pressure on the Mexican currency. Today, banks and exchange offices sold the dollar at a rate ranging between 7.75 and 7.85 new pesos, and purchased it at a rate averaging 7.45. As for the U.S. currency's wholesale price, it registered a slight reduction of 0.03 cents and closed transactions at 7.67 new pesos. These figures are based on closing figures registered on Friday.

Some of the comments we have heard thus far indicate that there is optimism among investors, who have predicted that 1996 will be a promising year for Mexico. They have said that today's positive trend in the BMV is a clear indication of this. There has also been talk that the possible drop in the yield of Treasury Certificates for tomorrow's auction — the first of the year — has prompted a high level of participation by the investors in BMV operations. [as heard]

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El Salvador

Defense Ministry Confirms Appointment of Minister

PA0101005896 Panama City ACAN in Spanish 1621 GMT 31 Dec 95

[FBIS Translated Text] San Salvador, 31 Dec (ACAN-EFE) — The Defense Ministry officially confirmed today the appointments of Generals Jaime Guzman Morales and Jose Eduardo Angel Orellana as defense minister and deputy minister, respectively, as of tomorrow, 1 January 1996.

In a communique, the Defense Ministry also announced the appointment of Generals Jorge Isaac Duke Lozano and Nelson Ivan Zaldana as chief and deputy chief of the Armed Forces Joint General Staff. According to the general order No. 14 of the Armed Forces, dated 31 December 1995, General Jose Manuel Garcia was appointed vice president of the Inter-American Defense Council with headquarters in Washington, United States, a post designated to El Salvador for the next two years.

In the military sphere, the new defense minister has been promoted to division general and current Colonels Jose Eduardo Angel Orellana, Jorge Isaac Duke Lozano, and Nelson Ivan Zaldana have been promoted to brigade generals. A total of 20 lieutenant colonels were promoted to colonel, and Captain Mario Argueta Franco was promoted to rear admiral. Furthermore, nine majors were promoted to lieutenant colonel, 148 lieutenants to captain, and 88 noncommissioned officers to lieutenants.

The general order issued today also includes transfers and changes in several of the country's headquarters, including the appointment of Colonel Omar Arturo Vaquerano as commander of the First Infantry Brigade with headquarters in this capital city. Colonel Nicolas Hernandez Quintanilla was appointed commander of the Third Infantry Brigade in San Miguel, and Colonel Jose Antonio Rodriguez Molina is the new commander of the Fifth Infantry Brigade in San Vicente.

Ministry Announces Military Changes, Appointments

PA0201214396 San Salvador Radio Cadena YSU in Spanish 1236 GMT 2 Jan 96

[FBIS Translated Excerpt] Through its communications and protocol center, the Defense Ministry has released a news bulletin on the new military changes and promotions. [passage omitted]

Brigade General Jaime Guzman Morales has been promoted to the rank of division general. Colonel Rafael Alfonso Montalvo Guzman was appointed commander, Military Detachment 1. Colonel Benjamin Augusto Soler Echeverria, commander of Military Detachment 2; Colonel Luis Alonso Amaya Alfaro, commander of Military Detachment 5; Colonel Julio Alberto Portillo, commander of Military Detachment 6; Colonel Francisco Emilio Menjibar Figueroa, commander of Military Detachment 9; Colonel Jorge Alberto Murcia Recinos, commander of the Cavalry Regiment; Colonel Ricardo Arango McKay, commander of the Special Military Security Brigade; Colonel Gilbert Enrique Caceres, commander of the Armed Forces Logistics Support Command; Colonel Alvaro Antonio Calderon Hurtado, chief of the Military Doctrine and Education Command; Colonel Alvaro Rivera Aleman, chief of the Special Forces Command.

These appointments will be effective on 1 January 1996.

Guatemala

Lack of URNG Resolve Prevents Signing of Peace Agreement

PA2912191095 Guatemala City Teleonce Television in Spanish 0100 GMT 27 Dec 95

[From the "Telepress Newscast"]

[FBIS Translated Text] President Ramiro de Leon Carpio said today that the peace agreement could have been signed during his administration if the URNG [Guatemalan National Revolutionary Unity] had shown the political willingness to arrive at a definite agreement.

[Begin De Leon recording] Peace was very close, but because of the lack of political willingness, which has been recognized and admitted by the international community, this agreement was not reached. Sometimes we can be so close and yet so far, but we were at the doorstep of signing the peace agreement. Had the guerrillas true political resolve, the peace agreement would have been signed. This is a fact admitted by countries that are friends of the process, the international community, and the United Nations, which acted as a moderator. What was lacking was political willingness. We never lied regarding the closeness to peace; we had two topics pending before reaching the operational part, which was the demobilization and cease-fire. We have never been so close and we continue being close. The end of domestic armed confrontation is irreversible. [end recording]

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Panama

Assembly Grants Special Powers to Executive Branch

PA3112204595 Panama City LA PRENSA in Spanish 31 Dec 95 p 1A

[Report by Jose Otero]

[FBIS Translated Text] Yesterday, after six hours and during its third debate, the full Legislative Assembly approved Bill No. 88 whereby it grants "special powers" to the executive branch allowing it to legislate by decree.

On this occasion, contrary to what took place during the second debate approval, the opposition bloc "closed ranks" with the Papa Egoro Movement [MPE] and voted against the proposal, but their votes were insufficient to prevent the "overwhelming pro-government majority" from approving the controversial bill by 38 votes in favor and 23 opposed.

The law, which was presented to the National Assembly by Presidency Minister Raul Arango, grants "special powers" to the Executive Branch in accordance to what is established in Numeral 16, Article 153 of the National Constitution.

Article 153 specifies that "legislative responsibilities are exercised through the Assembly, and consists of passing those laws essential to carry out state objectives and duties."

Nevertheless, it also grants the executive branch, whenever requested and always when the need calls for it, specific special powers, that will be exercised by means of decree-laws, during the period when the Assembly is in recess.

The executive branch is thus empowered to issue decree-laws on provisions related to export processing zones.

According to what has been established, the executive branch is entitled to approve decrees-laws as of this coming 1 January, when the second regular legislature comes to an end, up until 29 February when the regular legislative period is scheduled to begin.

It has also been established that once the next regular legislative period begins, the executive branch will be obligated to forward all decree-laws approved by the Cabinet Council to the full Assembly. The measure has been described by opposition legislators as "the beginning of a civilian dictatorship," and they also contend that it represents a peril to democracy and the balance between the three state branches.

Ruben Arosemena, legislator from the Christian Democratic Party [PDC], charged that the measure is an Executive Branch imposition which, according to him, is evidence of an existent interference in assembly matters by President Ernesto Perez Balladares.

Legislator Daniel Arias, from the Arnulfist Party [PA], pointed out that the measure is just another "overnight surprise legislation" since insufficient time was allowed for the full assembly to properly discuss and evaluate the proposal.

Oyden Ortega, from the PRD [Democratic Revolutionary Party], stipulated that "it is not a matter of an arbitrary decision by the government, but that it is based in an article of the Constitution which, according to his opinion, had been approved in 1983 by all the political parties in existence at that time, when the 1972 Constitution was subject to reforms.

On the other hand, Labor Minister Mitchell Doens pointed out that some opposition legislators were simply making "demagogic speeches" since it is clear that the Constitution empowers the legislative branch to grant special powers to legislate to the executive branch.

According to the labor minister, the objective is to create more than 7,000 new jobs by creating a single window [ventanilla unica] that will accelerate the approval of all documents required by firms interested in settling and operating within the export processing zones.

He added that the assembly will be called upon to carry out numerous duties during the extraordinary session period and that, for that reason, it was necessary for the Executive Branch to take charge of everything related to the export processing zones to expedite such an important project.

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Argentina

Government Reaffirms Sovereignty Over Falklands

PY0201230596 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2208 GMT 2 Jan 96

[FBIS Translated Text] Buenos Aires, 2 Jan (NA) — The government today reaffirmed Argentina's rights over the "Malvinas, South Georgia, South Sandwich Islands and the waters surrounding them." The government also expressed its willingness to achieve, with Great Britain, "a negotiated and fair solution to the dispute on the sovereignty over these territories, in keeping with international law."

These remarks were made by the Foreign Ministry on the occasion of 163d anniversary of the incident in which "the Argentine population and the Argentine authorities were forced to leave the Malvinas Islands" due to the British occupation.

In a communique, the Foreign Ministry added that Argentina "once more expresses its willingness to continue to advance in the talks with the United Kingdom, with the goal of strengthening a relationship of mutual confidence and achieving new agreements in the southwest Atlantic."

The Foreign Ministry's communique points out: "Notwithstanding, the Argentine Government firmly believes in the appropriateness of promoting links and cooperation with the Malvinas Islands inhabitants and emphasizes its willingness to safeguard their interests and their well-being."

UK Chancellor of Exchequer's State Visit Previewed

PY0101170596 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1500 GMT 31 Dec 95

[FBIS Translated Text] Buenos Aires, 31 Dec (NA) — Kenneth Clarke, UK chancellor of the Exchequer, will arrive on a three-day state visit to Argentina on 1 January. He is to meet President Carlos Menem, [Foreign] Minister Guido Di Tella, and [Economy] Minister Domingo Cavallo.

Argentina will be the first leg of a tour of Latin American countries — which includes Brazil and Chile — that the chancellor of the Exchequer will make accompanied by 11 businessmen who rank at the highest levels in the world of banking and public utilities.

Clarke is slated to arrive in Buenos Aires on the evening of 1 January and to begin his official activities the following day.

The visit of the chancellor of the Exchequer constitutes the first state visit by a high-ranking UK Government official following the meeting between UK Prime Minister John Major and President Carlos Menem in New York within the framework of the 50th anniversary of the United Nations.

The meeting between Major and Menem had been the first high-level meeting since the end of the Malvinas Islands war. It was followed by a second brief meeting in Madrid on 15 December during the signing ceremony of the framework agreement between the EU and Mercosur [Common Market of the South].

Within the framework of the rapprochement policy furthered by the Argentine Government vis-a-vis the United Kingdom, both countries signed an agreement on the prospecting and exploitation of oil in the Malvinas Islands' waters.

The entourage of the UK chancellor of the Exchequer includes Dennis Cortrell, general manager of British Gas, which controls Metrogas distribution company and which reached an agreement with YPF Inc. [Government Oil Deposits Inc.] to put in a tender for the licensing of oil areas around the Malvinas Islands.

Diplomatic sources have reported that the objective of the UK minister's visit is "to strengthen UK investments in Argentina."

Clarke Meets Misiones Governor

PY0201234896 Buenos Aires TELAM in Spanish 1755 GMT 2 Jan 96

[FBIS Translated Text] Posadas, 2 Jan (TELAM) — UK Chancellor of the Exchequer Kenneth Clarke today emphasized that British investors are interested in Latin America's economic recovery processes.

After touring the Parque Nacional Iguazu, within the framework of his Latin American tour, Clarke emphasized: "Our investors are again viewing Latin America with interest."

After concluding his visit to Paraguay yesterday, the British official last night entered Argentine territory through the "Tancredo Neves" international bridge — which links Puerto Iguazu with Foz do Iguacu.

The Posadas daily EL TERRITORIO today reported that he was met in the city of Posadas by [Misiones] Governor Federico Puerta.

On a domestic service flight, the foreign visitors on 1 January went to the city of Buenos Aires to pursue their agenda of official activities.

Clarke — who is scheduled to meet with President Carlos Menem, Economy Minister Domingo Cavallo, and Foreign Minister Guido Di Tella — is accompanied

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by his wife, Gilicia; Privatizations Secretary Harry Bush; and two secretaries.

An entrepreneurial delegation, comprised by representatives from London's leading financial institutions and important British companies, arrived on the same flight.

The visitor expressed to the Misiones governor his wonder over "the province's tourism prospects, in keeping with the impressive Iguazu falls."

Petrella: Chile To Set Up Base in Continental Glaciers

PY0301014996 Buenos Aires TELAM in Spanish 0006 GMT 3 Jan 96

[FBIS Translated Text] Buenos Aires, 2 Jan (TELAM) — Foreign Vice Minister Fernando Petrella today confirmed that Chile will establish a training base for pilots and military helicopters in Villa O'Higgins in the Continental Glaciers in Chilean territory.

Petrella explained: "Even though we have not received any information from the Chilean Government, Chilean military sources have confirmed to the Argentine Foreign Ministry that the base would be established in Villa O'Higgins, far north of the Fitz Roy Mountain, which is under Chilean jurisdiction."

In remarks to TELAM, the foreign vice minister ruled out the possibility of the Chilean pilots' exercises "being detrimental to Argentina." He emphasized: "They will not enter Argentine territory."

Nevertheless, the foreign vice minister noted that the Argentine authorities have to "be watchful" over the measure taken by the Chilean Government.

Petrella pointed out: "We cannot criticize a measure taken by Chile in its territory." He noted: "The Argentine Foreign Ministry still wants to know exactly where the Chilean base would be established."

With regard to the way in which the information on the establishment of the Chilean Air Force base had been leaked, Petrella said: "Two months ago the Chilean Government informed the Argentine Embassy in Santiago of the establishment of a pilots training base in the Continental Glaciers."

Concerning this point, Petrella added that Chilean Ambassador to Argentina Eduardo Rodriguez Guarachi had emphasized: "The base would be established in undisputable Chilean territory."

Petrella said that, afterwards, Foreign Minister Guido Di Tella talked to his Chilean counterpart, Jose Miguel Insulza, on 14 December in Spain when the Mercosur [Common Market of the South]-EU agreement was signed.

A few days later, on 26 December, the Argentine Foreign Ministry "sent a note to the Chilean Government, asking about the area where the base would be established, but they still have not responded to us."

Menem Addresses Jewish Community on Terrorist Attacks

PY0201120496 Buenos Aires TELAM in Spanish 2245 GMT 31 Dec 95

[FBIS Translated Text] Buenos Aires, 31 Dec (TELAM) — President Carlos Menem today expressed confidence in the "tireless" efforts of the justice system to clarify the attacks on the Israeli Embassy and the AMIA [Argentine-Jewish Mutual Association], and stressed that "the final consequences will be achieved" in discovering who was responsible for the attacks.

In a year-end message to the Israeli community, Menem said: "The Argentine justice system is working tirelessly to conclude the investigation that will identify the intellectual and active perpetrators of those two terrible events."

He said: "This president is confident that very shortly we will obtain results in the investigation into these crimes."

The seats of the Israeli Embassy and the AMIA were destroyed in attacks on 17 March 1992 and 18 July 1994, respectively.

The president then called for "the cooperation of his people, of those who can make some contribution or help, to the task of the judges investigating these terrorist attacks."

Menem stressed: "I acknowledge that we have a debt with the Jews, with this community, with this collectivity, and with those Argentines that died in this irrational action that cannot in any way be evaluated."

He said: "I ask the Argentine community — especially the Israeli community — to continue to have confidence in the judicial system, to continue to have confidence in our justice."

He warned: "Justice will arrive and it will arrive soon. It does not matter who the perpetrators of these attacks are. We will take it to the final consequences."

The chief of state said the two attacks "marked our society with blood and thunder (...) they were not in anyone's plans because Argentina is a country of peace, a working country, a country of love, of affection, of fondness, of faith and hope."

Menem recalled that these attacks stem "from terror. They are the result of totally irrational individuals who

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employ terror for terror itself. It is a despicable and abominable act of terror as is any type of terrorist action."

The chief of state said: "Our country is a country of peace, but peace is consolidated through justice and we will have total peace when we catch those who attacked our brothers: Argentines and Jews."

He emphasized: "In the end we are all children of God. Life has a ponderable value, it has an incalculable value, and no one has the right to take the life of others."

He said: "This is what I want to tell those who still anxiously await, as is appropriate, the clarification of these two incidents."

He concluded: "Finally, and in view of this new year, the year that is coming for everyone, absolutely everyone, I embrace you against my heart, especially those who suffered the consequences of these two attacks. I also embrace those who at these difficult times for this president expressed their love, affection, and solidarity."

Menem told the Jewish community in a message that was released this afternoon: "May God bless you and have a good year."

Menem: Budget Deficit 'Will Not Occur' During Tenure

PY0201165596 Buenos Aires TELAM in Spanish 2057 GMT 30 Dec 95

[FBIS Translated Excerpt] Anillaco, 30 Dec (TELAM) — President Carlos Menem asserted today that, while in office, he will not allow a budget deficit. He added that he is still studying the idea of vetoing the Patents Law.

Commenting on the partial vetoes to 1996 budget items on the Armed Forces and other areas, Menem said: "If some bloc in Congress decides to increase government spending it will have to tell us how they will raise the money to finance" those outlays.

During a news conference upon arriving at his home town, the president added: "We will end up with a totally unbalanced budget of which we will have to bear the consequences."

The head of state emphasized: "We will not let that happen; as long as I am president, that will not occur."

Menem said: "Deputies and senators must understand that when the president sends a bill, like the budget, to Congress, he does so bearing in mind the possibilities of sticking to that budget."

The head of state explained that the Patents Law is still in an evaluation stage and that "only by the deadline we have for vetoing (that law) will we decide whether or not we will promulgate it with some objections."

Menem again censured the Chamber of Deputies for having failed to form a quorum to enact the second reform of the state.

He said: "When one stands for deputy or senator, one tells the public that he/she does so to work for and be of service to the community. But when deputies or senators walk out of the lower or upper chamber they are obviously doing a disservice to the public and harm democracy."

The president added: "I was not just annoyed; I condemned the attitude" adopted by Justicialist congressmen. "In a way," Menem justified the action of "the opposition like the Radical Civic Union [UCR] and the Frepaso [Front for a Country in Solidarity], because such is democracy."

"But it is incredible that after we conducted a vigorous campaign to obtain a majority in the Chamber of Deputies, members from our own party should be failing us," noted the president adding: "The party should be taking measures."

Furthermore, the head of state deemed that the UCR's decision to make proposals through a cabinet "which some call the shadow cabinet while others dub it cabinet in the dark, but which — in my view — is a shadow cabinet, as the UCR termed it," constitutes "a positive contribution to democracy and freedom."

Changing the subject, Menem underscored the bright outlook for Argentina in 1996, based on the consolidation of the economic model, which, he confirmed, will be maintained.

The president spoke highly of reports that "unemployment and poverty levels have been falling since the fourth quarter."

Menem stated: "All we propose for 1996 is the implementation of measures" to "wipe out unemployment, which has gone down but which must be reduced still further."

Menem concluded: "The Argentine people continue to support us. I foresee that 1996 will be a very good year and I wish the best of luck to Argentina. I would also like to thank these marvelous people for their solidarity with me and my family in times of grief."

The head of state flew his own plane, the Capiango, to Anillaco accompanied by La Rioja Province Governor Angel Maza. Luis Agost Carrino, mayor of the City of La Rioja, flew to Anillaco in another plane. [passage omitted]

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Menem Denies Changes to Constitution, Pardons

PY0201125296 Buenos Aires TELAM in Spanish 1500 GMT 30 Dec 95

[FBIS Translated Text] La Rioja, 30 Dec (TELAM) — President Carlos Menem today stressed that Argentina's prospects are very good and emphasized that great possibilities for increased foreign capital have been created.

Argentina's prospects "are very good," Menem told TELAM just before departing for Anillaco, where he will rest until tomorrow.

The chief of state said: "I say this not just because the president says matters stand in such a way but because — starting with the overcoming of the serious crisis — the recovery of several areas within national activities is already being noted."

Among these areas, Menem cited "the total consolidation of democracy with advanced legislation, the constitutional reform, and new laws that are being debated."

He highlighted the fact that Argentina "must offer security in every respect — personal and legal — and has created great possibilities and expectations so that foreign capital will continue to arrive as is it now doing, but in increasing quantities."

Menem emphasized: "Sustained growth has restarted, stability is being maintained, and our inflation is the lowest in the world."

The president highlighted the fact that "Argentina's reinsertion in Mercosur [Common Market of the South] and the EU opens up enormous possibilities for the future."

Although he ratified the presidential right to grant pardons, he rejected any possibility of granting any and denied that the Constitution will be reformed.

He stressed: "This president has no intention of reforming the Constitution or renouncing the power" to grant presidential pardons. He reiterated: "So there will be no false interpretations: There is no possibility of granting pardons."

Menem confirmed that the topic of reform cropped up "after my meeting with (Radical Civic Union President Rodolfo) Terragno." He pointed out that "it was a joke and it was disseminated."

Flying his private plane, "El Capiango," the president departed just after 1000 in the company of [La Rioja Provincial] Governor Angel Eduardo Maza for Anillaco, where he will spend a day of rest.

It has been reported that Menem will return to La Rioja City on 31 December just before noon to participate in the Tinkunaco ceremony, which closes the religious festivity of San Nicolas de Bari, the province's patron saint.

Menem Promulgates Budget Bill, Vetoes 10 Articles

PY0201234496 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1031 GMT 30 Dec 95

[FBIS Translated Text] Buenos Aires, 30 Dec (NA) — Budget Under Secretary Marcos Makon has announced that the executive branch issued Decree 1040 promulgating the 1996 budget bill. The decree also partially or totally vetoes 10 budget bill articles. The vetoes eliminate promotional benefits for some provinces and the possibility of increasing the Armed Forces budget.

The amendments introduced into the budget bill eliminate promotional benefits for the provinces of San Luis, La Pampa, three departments in Mendoza Province, and NOA [Argentine North West] districts, including Tucuman.

The executive decided to maintain — in Article 51 — the benefits for La Rioja, Catamarca, and San Juan, because these provinces were part of the Historic Restoration act.

The three provinces enjoying the promotional benefits will be able to put off the payment of 3 million pesos in taxes each during 1996.

The executive eliminated Article 52, which gave the Armed Forces the possibility of contracting debts for 95 million pesos and making changes in positions and the number of volunteers it could contract.

The executive also vetoed Article 31 that referred to the National Tobacco Fund. Law 19800, therefore, will continue in effect. This law says that 80 percent of fund resources must be distributed according to production.

The government partially vetoed Article 16. The executive rejected this proposal because it required that the payment for state residual ownership in privatized companies [entes residuales] be made exclusively with Bocons [Funding Bond], which would have turned these bonds into obligatory instruments.

Article 19 was also partially vetoed because it said that public funds could not be frozen and included the names of organizations, which was considered redundant. The article also made reference to the Buenos Aires Municipality, which is not in the budget.

Article 22 was eliminated for the same reason that Article 16 was objected to. The article established that state consolidated debts had to be paid with Bocons.

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The executive eliminated items in Article 49 (partially vetoed) establishing the appropriation of 2.5 million pesos for the University of La Plata and 1.5 million pesos for the National General Auditing Office.

Articles 54 and 55 gave ANSSAL [National Health Insurance Administration] instead of the DGI [General Directorate of Taxation] the responsibility for distributing Social Work funds and were vetoed in their entirety.

The executive also eliminated parts of the article establishing that the subsidy to guarantee a minimum of 40 pesos per social work member could be changed if the budget was changed.

Finally, the executive partially vetoed Article 59, which incorporated into the bill a number of norms that lasted longer than the budget. The government said that those norms should be included in permanent laws.

Budget Under Secretary Marcos Makon said that the government decided to delay the publication of the Official Bulletin until late yesterday in order to include the budget law so that it could become effective as of the first day of January.

Central Bank President Views Financial, Banking System

PY0201101896 Buenos Aires TELAM in Spanish 1857 GMT 1 Jan 96

[FBIS Translated Text] Buenos Aires, 1 Jan (TELAM) — Central Bank President Roque Fernandez has said that the Argentine financial system showed its strength during the 1995 crisis. He stressed that the system must be transformed this year to become more efficient.

"Our financial system showed its strength during last year's crisis, but that does not mean it is efficient. We must continue to work until we achieve a competitive financial intermediation at the international level, even though I do not believe that we can fully accomplish this goal during 1996," Fernandez said.

The bank president reviewed the financial system's situation in an interview with TELAM. Fernandez appeared quite satisfied with the current financial situation and the role played by the Central Bank before and during the crisis.

In his opinion, "we will not see more banks collapsing. What we will see will be the transfer of entities, similar to the sales of Popular Argentino to Roberts [not further identified] and Popular Financiero to Sudecor [expansion unknown] that were implemented last week."

Fernandez said that currently there are a lot of sales or transfer operations between financial entities. He refused, however, to reveal the names of banks involved. "It is preferable not to reveal the name of the entities involved because negotiations are among private firms and the Central Bank does not intervene. Besides, no one can predict the result of the negotiations," Fernandez said.

According to the Central Bank president, "it seems that 1996 will be a year of outstanding progress. I think there will be notable improvements in the cost of organizations, intermediations, system rationalizations, and automations."

Fernandez also talked about the financial crisis and the Central Bank's role in it, stressing the importance of the lessons provided by the U.S. economic crisis of the 1930's for the bank's administration.

"To be frank, the Central Bank took advantage of the lessons of the crisis of the 1930's in the United States. There are a lot of things to be learned from that crisis. We wanted to avoid making the same mistakes," Fernandez said.

The bank president said that "Argentina lost nearly 20 percent of its deposits in six months while the United States lost 30 percent of those assets in three years. Our crisis was a lot more abrupt."

"The Central Bank's work to overcome the Argentine crisis was by far better than what was done in the United States in the 1930's, when things were quite traumatic. This is the reason why Central Bank policies were very harsh and firm in preventive terms," Fernandez said.

"The moment the crisis hit us, we loosened up, assisted banks, and permitted the underintegration of withholdings, something the United States did not do," Fernandez said.

The Central Bank official said: "We took the opposite position. We took harsh measures when the system was strong and we acted with flexibility when the system was attacked."

"When you add a Central Bank that implements very recessive measures on the activity of financial entities to people's panic and nervousness, you only aggravate the crisis," Fernandez said.

"With our limited resources, such as rediscount operations or assistance for liquidity problems, we used our tools gradually to help — more than to repress — entities with liquidity problems," the official said.

Asked about the future of the convertibility regime, Fernandez said: "This system gives a very clear signal of the government's commitment to maintain fiscal balance. Its success is given precisely by the structural reform of the fiscal balance."

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"We do not think that a change in strategy would be positive. We think the system is performing well and we do not need any changes. This is what we say when we are abroad and are asked about the future of the convertibility plan," the Central Bank official said.

Speaking about the situation of provincial banks, Fernandez said he was optimistic about the privatization of those entities, adding that in 1995 difficulties were aggravated by the crisis. "It was a difficult situation because we started introducing some order during 1993 and 1994, when the 'run' on banks completely altered the situation," Fernandez explained.

The bank official recognized that "the run and the panic surprised us. We were not attentive and did not expect a situation with these characteristics."

"In any case, all privatized banks operated well, such as the banks of Corrientes, Entre Rios, and Chaco. I do not know what would have happened had we advanced in the privatization of some of the larger banks, such as the Bank of Cordoba," Fernandez concluded.

Bolivia

Sirese Superintendent Discusses Tasks Ahead

96SM0034A La Paz HOY in Spanish 1 Dec 95 p 7B

[Report on interview with new Sirese General Superintendent Juan Cariaga; date not given]

[FBIS Translated Text]

A week after taking the oath of office as General Superintendent of Sirese [Sectoral Regulation System], Juan Cariaga is in a race against time. Not only does he have to finalize the draft of a regulatory decree implementing the Sirese Law, establish the system's organizational structure, its internal regulations and financing, and prepare an ethics code, he also has to find an office.

Cariaga, perhaps Bolivia's best known economist after his leading role in drafting Supreme Decree 21060, is now considered an "extremely powerful man" as he is responsible for the general regulation of Sirese. He says he expects to remain in office for the seven long years of his term. "If the country asks me to, I must do this."

His plans? He says that his first week after taking the oath of office was spent exclusively on talking with the Ministry of Finance about Sirese's budget allocations, looking for an office and, in general, dealing with purely administrative matters. He plans to begin work soon on Sirese's regulatory decree, salary policy, the ethics code, internal regulations, and other internal provisions the institution needs in order to function.

Laws and Decrees Do Not Work on Their Own

In an interview with HOY at his home in Calacoto, Cariaga—who still does not have an office, just his desk at home—explains that the regulatory decree, which will be proposed for approval by the executive, is essential. Laws and decrees do not work on their own. They must have implementing regulations.

Regulations governing appeal procedures for the Supreme Court, covering matters dealing with business monopolies, advisory functions for administrative procedures, and the Superintendent General's oversight functions are needed. Regulations will also be drafted for other functions like budget responsibility, preparation of the salary policy, and other matters contained in the law. "Regulations are required to make this law work, and that is what I am going to do. It is my goal, with luck, to get these regulations approved by the end of this year."

During the course of the next six months the superintendent will establish Sirese's structure in each of the sectoral offices and its internal regulations and administrative responsibilities, so that the system may begin to function very soon, he said.

Power and Its Limitations

Cariaga said that while Sirese does have great power—the law gives it many prerogatives: it can fine, issue sanctions, and even remove a license for noncompliance—this is in no way absolute power. There are appeal mechanisms. First, an appeal may be filed with the sectoral superintendent, then with the General Superintendent, and after his ruling, the appellant may turn to the Supreme Court.

"Law 1600 does not give discretionary power to Sirese or to the superintendents. The superintendent ensures compliance with the law, makes sure that service providers comply with their contracts, and that the services provided are of good quality... All this power to issue penalties against big businesses simply means enforcing the law and protecting the little people who, like you or me, may be small in ourselves, but this is important because we are the majority of the population..."

Who Regulates the Regulators; the English Case

When asked about the failure of the oversight system in England—the first country that had a system similar to Sirese after privatizating its public enterprises—Cariaga said that the problem in England was different from the Bolivian case. In England, no one regulated the superintendents.

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But in Bolivia, he added, the General Superintendent is responsible for oversight of the sectoral superintendents and their administrative work. The sectoral authorities do have a great deal of power, but their prerogatives are evaluated. The advantage is that someone does regulate them, he noted.

The General Superintendent himself is also responsible to and evaluated by the Comptroller General's Office and by Congress.

"This entire regulatory process is not a whim of the government; it is part of the process of modernization of the state. Unlike in the past, when public services were run however the authorities wanted. That has changed now."

Brazil

President's PSDB Seeks New Political Alliances

PY0301144796 Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Dec 95 p 2

[Report by Sonia Carneiro]

[FBIS Translated Text] Brasilia — The main government goal for 1996 is to create a new support front, strengthening the PSDB [Brazilian Social Democracy Party] as President Fernando Henrique Cardoso's support base, and restructuring government alliances in Congress. "We will expand our alliances," said deputy Jose Anibal (SP) [Sao Paulo], the PSDB leader in the Chamber of Deputies.

The conversations with regard to creation of a congressional bloc between the PSDB and the PTB [Brazilian Labor Party] or the PPB [Brazilian Progressive Party] are in their initial stage. If it chooses to join the PSDB, the PTB might leave the bloc with the PFL [Liberal Front Party].

Deputy Pedrinho Abrao (PTB-GO) [Goias] this year will be the candidate for the post of PTB leader in the Chamber of Deputies, replacing Deputy Nelson Trad. Abrao said his slogan is "let us build a sound alliance with President Fernando Henrique's PSDB." Abrao's contender for this post will be Deputy Roberto Jefferson (RJ) [Rio de Janeiro], who has not yet decided whether he will advocate continuation of the current alliance between the PTB and the PFL.

Another alternative is for the PSDB to join Sao Paulo Mayor Paulo Maluf's PPB. Jose Anibal has already sounded out Deputy Odelmo Leao (MG) [Minas Gerais], the PPB leader in the Chamber of Deputies, on the possibility of expanding the sector that supports the government.

"The PPB has already joined this sector, but it has to go even further," Odelmo Leao said, adding that he will consider the matter. "We will strengthen our base in Congress," Anibal noted.

Maluf has not ruled out the possibility of creating an alliance with the PSDB in Congress. The conversations involve Communications Minister Sergio Motta and Planning Minister Jose Serra. PPB President Esperidiao Amin (SC) [Santa Catarina] will also analyze the issue during the congressional recess.

If the PPB (88 deputies) joins the PSDB (80 deputies), the government's congressional bloc will have 168 deputies, transforming the two parties into the largest political force in the Chamber of Deputies, with enough power to elect the future Chamber president and the chairmen and rapporteurs of the committees analyzing provisional measures, and the heads of the congressional investigative committees that will be created in 1996. "It will be a big leap to power," said Deputy Beto Mansur (PPB-SP). Deputy Augusto Nardes (PPB-RS) [Rio Grande do Sul] said that "there is a trend of rapprochement between the PPB and the PSDB because they have very similar programs and objectives." He added that PPB Vice President Francisco Dornelles (RJ) [Rio de Janeiro] is consulting with the deputies about the party future for 1996.

Another alternative for the PSDB is to make an alliance with the PTB, which has 28 deputies. The bloc will have 108 deputies, which is also sufficient for becoming the largest sector within the Chamber of Deputies. The PFL will be the third largest force, with 95 deputies, while the PMDB [Brazilian Democratic Movement Party], with 97 deputies, will remain the second largest force.

The new alliances were also analyzed at a meeting between President Fernando Henrique Cardoso and PSDB governors Mario Covas (SP), Eduardo Azeredo (MG), Tasso Jereissati (CE) [Ceara], Marcello Alencar (RJ), and Rio Grande do Sul Govenor Antonio Britto, of the PMDB. The meeting was held at Alvorada Palace on 26 December.

Rio de Janeiro Governor Marcello Alencar advocated an alliance with Paulo Maluf's party: "Why not an alliance with the PPB?" he wondered.

Alencar advocated creating a bloc with the PPB and the PTB. "We must urgently expand the alliances of the PSDB," he said. In his opinion, the PSDB must assume the role of government party "without shyness, engaging in an offensive to defend President Fernando Henrique Cardoso's program of government."

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Government Reportedly Remaking Congressional Support Base

PY3012023395 Rio de Janeiro O GLOBO in Portuguese 29 Dec 95 p 2

[From Tales Faria's "Political Panorama" column: "A Fracture in the Liberal Front Party"]

[FBIS Translated Text] Planalto Palace passed the news on to the PPB [Brazilian Progressive Party] leadership, and the matter was once again mentioned at the governors' meeting with President Fernando Henrique Cardoso: The party of Paulo Maluf will be given more elbow room within the government, as a form to counter the firepower of the PFL [Liberal Front Party], which in 1996 is expected to undergo a fracture over the decision to support the president. It might be pure imagination, but this reflects the political situation that the PSDB [Brazilian Social Democracy Party] is confronting.

This situation entails a first move: Communications Minister Sergio Motta will become PSDB president without resigning his post of minister. A change in party statutes will be enough for doing this. The PSDB will then have a tractor who, in addition to being a member of the so-called "power center" of the government, will be legitimately empowered — as the party leader — to openly confront Antonio Carlos Magalhaes.

The second move deals with the municipal elections, when both the PSDB and the PFL will be more excited. The few capitals where the PFL is expected to win the elections, as in Recife, are cities in which the PSDB and the PFL formed alliances. It is with this group of PFL leaders that the PSDB will maintain the coalition during the final stretch of the government term. The PFL group led by Marco Maciel and Gustavo Krause is what Mrs. Cardoso calls the good wing of the party. In Salvador, not only is there a fissure between the two parties, but local PSDB members have started a rapprochement with high-ranking federal PSDB leaders.

In Congress, the government's political support base will have approximately 300 deputies from the above PFL faction, the PPB, part of the PMDB [Brazilian Democratic Movement Party], and the PSDB. It will no longer be necessary to have a special quorum for approval of constitutional amendments, and the government will have a comfortable majority. Well, the only pending matter now is to negotiate this arrangement with the adversaries.

President Says Successor To Come From Social Sector

PY0301014396 Rio de Janeiro O GLOBO in Portuguese 31 Dec 95 p 3

[Article by Rodolfo Fernandes]

[FBIS Translated Text] Satisfied with the achievements of his economic policy, which he considers to be consolidated by the end of the first year of his administration, President Fernando Henrique Cardoso plans to sharpen the focus of his administration in 1996 on what has become the major weakness of his administration: a lack of initiatives in the social sector. He regards the health sector as a major challenge to the point of making the following outright prediction:

In remarks to aides, Cardoso said: Whoever manages to resolve the social problems in my administration will become my successor.

To achieve this it will be necessary to do much more than what Health Minister Adib Jatene has been doing. Cardoso expects health officials not to remain content with merely limiting the Health Ministry to being "the ministry of hospitals," but rather a true source of ideas, for instance, in terms of medical prevention — an area which has been practically overlooked by Jatene, who devoted his main efforts to the old idea of creating a new tax (the CMF) [Tax on Financial Operations].

Cardoso said: Squandering prevails in the health sector with hospital owners, on the one hand; and members of the so-called PS (health party), on the other; going after government funds.

Cardoso believes the most important thing to do now is to intensify preventive programs, such as the fight on infant mortality and distribution of milk, instead of purely and simply insisting on an uncontrolled, ineffective use of funds.

In his analysis, Cardoso has time and again said: Since I left the Finance Ministry, we have already doubled the funds earmarked for health, but nothing has changed. The Unified Health System (SUS) was tailored for a rich socialist country, not for a poor capitalist country like ours.

President Cardoso picked two priorities for 1996: agrarian reform and education. He regards Education Minister Paulo Renato Souza as the star of his administration. He believes Souza has been "putting on a show" and that his performance should be an example for the other cabinet ministers: Souza has adequately defined his priorities, formulated new ideas, and has managed

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to have Congress approve his ideas. Among the cabinet members, Souza emerges as the one having the best record to present to the public.

Cardoso said: If Souza keeps this pace, he will have a brilliant future.

In his evaluation of his administration's performance in the social sector, Cardoso regrets the fact that Planning Minister Jose Serra had declined his offer to hold a post in the social sector, as well as [former Finance Minister] Ciro Gomes' refusal to be his health minister. Gomes is now at odds with Planalto Palace.

Cardoso said: It was a major miscalculation. The economic area has already given all the benefits it can give. I was elected president of the republic because I brought inflation down. It will not be necessary to do that again. The future president will no doubt come from the social sector.

He has expressed satisfaction with the economic results and with Finance Minister Pedro Malan's success in bringing peace to the economic area.

Cardoso said: The time has come to spend. The BNDES [National Bank for Economic and Social Development] will make funds available to companies, and interest rates will decline.

The president is not planning to reshuffle his cabinet until Congress completes its voting on the constitutional reform bills. He has praised those ministers who were more deeply involved with the reforms, namely Social Security Minister Reinhold Stephanes, despite his not being a good negotiator; Federal Administration Secretary Bresser Pereira, who excelled as a negotiator with Congress; and Communications Minister Sergio Motta, who is a special case within the administration.

Cardoso recently said: Motta has done an outstanding job in conveying to the public the model of state we are proposing.

Commenting on his closeness with Motta, Cardoso said: All that he says will always be considered to have come from me because, even when he is not speaking in my name, he likes to make others believe that he is.

The type of criticism leveled at him during the first year of his administration has not caused Cardoso to lose his good humor. He said he has nothing to complain about.

Cardoso said: Adverse criticism of the president has been limited to noting that I speak several languages, that I travel a lot, and that I laugh more than I should. That's great.

Daily Sees Cardoso Backing Souza Presidential Candidacy

PY0301022496 Rio de Janeiro O GLOBO in Portuguese 1 Jan 96 p 2

[Commentary from the "Political Panorama" column by Tales Faria: "The President's Candidate"]

[FBIS Translated Text] The interview with President Cardoso published by O GLOBO on its 31 December issue is pure dynamite. All that is needed to see that the president has subtly launched his candidate to the presidential succession — Education Minister Paulo Renato Souza — is to indulge in a simple exercise in logic. Souza. This has been a shot in the back for Planning Minister Jose Serra. Anyone who may have listened to PFL [Liberal Front Party] President Jorge Bornhausen's laudatory remarks about Souza should also know that the PFL views his candidacy favorably.

Through his remarks, Cardoso clearly conveyed his intention: First, he said his successor will come from the social area. The main ministries in the social area are the Health and Education Ministries, in addition to the Community in Solidarity Program chaired by Mrs. Ruth Cardoso, which draws little attention from the president. President Cardoso has made a point of criticizing Health Minister Adib Jatene, charging that his administration has turned the Health Ministry into "a ministry of hospitals."

In the interview, Cardoso said: Since I left the Finance Ministry we have already doubled the funds earmarked for health, but nothing has changed.

Later, Cardoso goes out of his way to praise Souza, whom he regards as the star of his administration who is "putting on a show," and who has a "brilliant future," and so forth. Furthermore, Cardoso also criticizes Serra. He said he regrets that his friend Serra did not accept to serve as education minister, suggesting that Serra chose to be the planning minister with the idea that the Planning Ministry would help him become the next president.

Cardoso said: It was a major miscalculation. The economic area has already given all the benefits it can give. The future president of the republic will no doubt come from the social area.

Government Bloc Leader in Senate Endorses Cabinet Reshuffle

PY2912204395 Rio de Janeiro JORNAL DO BRASIL in Portuguese 28 Dec 95 p 2

[FBIS Translated Text] Brasilia — Despite the fact that President Fernando Henrique Cardoso has ruled

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out the possibility of a cabinet reshuffle, the idea is gaining strength among his closest allies. Elcio Alvares (PFL-ES) [Liberal Front Party-Espirito Santo State], the government bloc leader in the Senate, noted: "A reshuffle is essential to adjust things and make the government's second year more dynamic." The senator decided to return to Brasilia right after the New Year holiday when he has been scheduled to meet Fernando Henrique Cardoso and voice his opinion.

Displeased with the criticism leveled by the PSDB [Brazilian Social Democracy Party] governors against the PFL, Elcio Alvares believes those disagreements have been prompted by the displeasure of the party alliances that are supporting the government in Congress. Alvares said: "The PPB [Brazilian Progressive Party], for example, has 90 deputies and five senators. It requires the president's recognition." The PPB bloc in Congress has been avoiding making public statements. Nevertheless, it would already have a candidate for the cabinet: Deputy Francisco Dornelles (RJ) [Rio de Janeiro State].

Alvares said the president of the Republic will cope with a problem that was raised when the cabinet was formed. At that time, the PMDB [Brazilian Democratic Movement Party] and the PFL protested over some of the candidates chosen by Fernando Henrique Cardoso. Those problems can be named: Nelson Jobim (Justice) and Gustavo Krause (Environment). These ministers have been credited to the president's personal account since the administration's inception. The PFL still has split opinions on Krause, but the PMDB is not satisfied at all with Jobim.

With the new relationships, the PFL and the PMDB virtually have the same dimension — 97 and 98 deputies, respectively — whereas the PSDB bloc ranks fourth in the Chamber of Deputies with 80 deputies. Responding to the criticism leveled by the PSDB governors, Alvares quipped: "The PPB is an important piece on the chess board, the PFL has had faultless ethical conduct, and the PSDB must have an accurate idea of its weight."

As he endorsed a rotation of leaders for the PFL, Elcio Alvares will tell the president that his post is available for naming replacements. Nevertheless, the president already said he would retain the current leaders. Senator Alvares will carry to the presidential palace a report on the individual performance of senators and will ask the president to grant more leeway for the leaders.

Article Views Demands for Changes in Government

PY3012014495 Rio de Janeiro JORNAL DO BRASIL in Portuguese 27 Dec 95 p 2

[From the "Such is Politics" column by Dora Kramer: "Ministers Want Changes Now"]

[FBIS Translated Text] The flaw in President Fernando Henrique Cardoso's assertions that nothing will change in his administration is that nobody believes in them. This is no longer a question of the PFL [Liberal Front Party] wanting changes, the PPB [Brazilian Progressive Party] wishing that changes be effected, or the PMDB [Brazilian Democratic Movement Party] perceiving the need for changes. Now government ministers themselves and people carrying a lot of weight within the PSDB [Brazilian Social Democracy Party] have joined in voicing criticism, even though, let us say, in the constructive sense of the word.

Whenever [Chamber of Deputies President] Luis Eduardo Magalhaes talks about lack of leadership, he incurs the president's anger, but in fact, he only says in a loud voice what others repeat in a lower — but equally firm — tone of voice behind the scenes. Given the stature of those who made their voices heard, this is in all likelihood no secret for the president. Criticism together with all ifs and buts must have been discussed with him.

This is the very reason why nobody believes that Cardoso is willing to leave things as they are. The problems on which attention was drawn are manifold and more or less those which were discussed at length in the news section of newspapers during the head of state's tour of Asia.

The following are the three main points: The president must rule with a firmer hand so as to unequivocally show his leadership — this statement should not be mixed up with a call for authoritarianism — and therefore, prevent the very members of his team from causing useless, empty, and exhausting crises.

Both the crises generated by the phone-tapping affair and the pink folder are due to badly contrived and pointless intrigues. In other words, quarrels are stirred up for foolish reasons and Planalto is brought to a grinding halt because of petty squabbles.

Moreover, according to those analyses, the president should only make a public statement in case of official announcements or formally organized collective interviews. This point is exclusively aimed at preventing Cardoso from getting involved in public discussions about trivial matters.

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The objective is to put things back in order. Only a month ago, there was the conviction at Planalto that only opinion builders saw shortcomings in the incumbent administration. As for the masses, it would suffice to learn that inflation was being kept low. The problem lies in the fact that opinion builders are called that because they are the ones who shape public opinion and presently the people will start seeing those defects. From there it is only a step to cracking jokes in the street.

This is still another reason why ministers are in favor of effecting changes now.

The president must prove that he is indeed the head of state even to head off similar actions to those that caused him to have a beastly awful end of the year. To that end, the ministers in question are defending the idea of having two types of dismissals from the government — one that seeks to produce the effect of a demonstration and another which simply seeks to achieve greater administrative efficiency.

One would do better not to mention the name of those to whom these allusions are made in order not to run the risk of tiring the reader with a list of names that has been altered over the last few days according to the critics' changing humor. Sometimes the list comprises all the ministers — except two or three —other times it includes the eternal candidates to the guillotine.

By way of example, [Finance Minister Pedro] Malan no longer appears on the list on which the executive board of the Central Bank always occupies a prominent position. As of last weekend, Agriculture Minister Jose Eduardo Andrade Vieira, who had toned down his criticism for some time, appeared once again on the list.

The fluctuation in the rating of the candidates to be removed from office is, in fact, irrelevant since it is the president's exclusive prerogative to dismiss or confirm those who hold a government position. What is striking and leads one to conclude that there is a cabinet reshuffle in the offing is that if this were not true those who are in favor of changes would hardly be doing so in such an unfeigned way.

A clear indication that the status quo will not be preserved, as the head of state said — ex-officio obviously — as soon as he returned to Brazil was given on 26 December during a meeting the head of state held with governors belonging to the PSDB. They all spoke of the need to appoint a political coordinator, thus bringing once again to the forefront an issue that was already settled, but officially denied for some time.

Those who consider themselves the president's friends believe that it is time the head of state discarded a trait that is typically his — and which was dubbed by PSDB members as his *unchanging facial expression* and popularized by Senator Antonio Carlos Magalhaes as air *hostess' smile* — to face with greater toughness the afflictions of power.

Armed Forces Concerned About Constitutional Reforms

PY0201161496 Sao Paulo GAZETA MERCANTIL in Portuguese 26 Dec 95 p A1

[Report by Cesar Felicio]

[FBIS Translated Text] The controversy surrounding the Amazon Region Surveillance System (Sivam) is the main topic of interest to the military. However, it is not the only one. The military ministries are following up on no fewer than 112 topics, which directly affect the interests of the Armed Forces and which are being considered by Congress. Except for the Senate's possible rejection of the request for authorization for the Sivam loan, the year 1995, on balance, was a positive one for the military.

The Armed Forces' congressional advisers managed to block controversial proposals like the elimination of military courts, and the expansion of the benefits granted to military personnel who were dismissed after 1964. In the debate on the social security system, the military advisers also managed to arrange a social security system with specific rules for the military.

In 1996, during the debate on the regulations of the reforms, the great challenge will be to obtain privileges like full retirement and special pensions, on the grounds that the military is given different treatment all over the world.

In the debate on the social security reform, the military almost worsened its situation. The Constitution and Justice Committee considered unconstitutional the article dealing with the subject, because of the unclear text proposed by rapporteur Rodrigues Palma (PTB-MT) [Brazilian Labor Party-Mato Grosso].

During the debate, an attempt was made to approve a social security system for the Armed Forces, independently from the rules applying to the so-called auxiliary forces (fire brigade and military police), which are subordinated to state governments. Since discrimination between Union and state employees was considered unconstitutional, Euler Ribeiro (PMDB-AM) [Brazilian Democratic Movement Party-Amazonas] — the rapporteur of the special Commission of the Chamber of

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Deputies — restored the text that was originally submitted by the government.

The military is also concerned about the constitutional amendment proposed by Deputy Helio Bicudo (PT-SP) [Workers Party-Sao Paulo], modifying the military courts' jurisdiction. The amendment provides for reducing the number of members of the Superior Military Court (STM), narrowing its jurisdiction by submitting to the regular courts many of the crimes that are known as military crimes.

The STM's congressional advisers are contacting lawmakers, not only to maintain the current status of the STM but also to have the Constitution include a definition of military crimes, which are currently defined by a law. The idea is to include Article 9 of the Military Penal Code in the Constitution. Among other points, this article sets forth that military courts should adjudicate all crimes committed by soldiers or officers while performing a mission and as a consequence of that mission.

The STM's main concern is that it might be affected by the modifications that are being designed for state military courts, which adjudicate military police crimes. An example of this is what happened to a proposal submitted by Helio Bicudo, which is currently being analyzed. The proposal modified the Military Penal Code, considering as common crimes those committed by military personnel while performing police actions against civilians. The proposal was modified by Justice Minister Nelson Jobim, restricting its effects only to the state military police.

Another constitutional amendment — which was already approved by a committee and which is ready for voting during a plenary session — has also awakened the concern of the military. The amendment expands the amnesty benefits for military personnel who were dismissed for political reasons during the military regime. The amendment, which was submitted by Deputy Zaire Rezende (PMDB-MG) [Minas Gerais], sets forth that officers who are readmitted as reserve officers should not return with the rank they had when they were dismissed, but with the rank they would have if they had continued their careers without interruption.

The argument that EMFA [Armed Forces General Staff] has used to attack the proposal is the cost of suddenly having to admit several brigadiers, admirals, and generals, because most dismissed officers would now be at the height of their careers. With the support of the government economic team, the Armed Forces this year managed to stop the voting on the amendment. The economic cost is not, however, the only reason why the government has opposed the amendment. The measure will strongly annoy military personnel on active duty, who will consider it unfair that former military personnel should reach the top rank of their careers, something only a few members can reach within the Armed Forces.

Other proposals that have awakened the interest of military advisers are those expanding the benefits of war veterans. The government is currently paying 45,000 pensions to veterans or their descendants. The argument against this proposal is also of an economic nature: The increasing of pensions will burden the budget of the military ministries. Moreover, the EMFA has claimed that most of the amendments that are being analyzed are socially unfair, because they do not expand the benefits of soldiers and corporals.

The Armed Forces are still waiting for an official government position on the revision of the legislation for the demarcation of indigenous people's land. The military does not like the current legislation because it permits the demarcation of large areas near the borders. A commission headed by Minister Jobim has been analyzing the matter since the beginning of the year.

Local Enterprises Reportedly Capable of Implementing Sivam

PY2912173695 Sao Paulo AGENCIA ESTADO in Portuguese 2344 GMT 26 Dec 95

[By Julio Ottoboni]

[FBIS Translated Excerpt] Sao Jose dos Campos, 26 Dec (AE) — The Amazon Region Surveillance System (Sivam) can be implemented by local enterprises without any technical difficulty. The strongest evidence of this is the bold project for environmental monitoring and control that the Imagem Sensoriamento Remoto company has developed for the Mato Grosso government. The company is part of the Sao Jose dos Campos airspace center. "We are at an advanced stage, not only with respect to Sivam but at an international level with respect to the environment," says Imagem's technical manager Iara Musse Felix, who is a biologist.

The project developed by Imagem began nine months ago as one of the stages of the Mato Grosso State Program for Environmental and Farming Development (Prodeagro). The Sao Paulo company designed the Computerized System for Monitoring, Supervision, and Control of the State's Vegetation (Siscob), which will be used by state agents. The objective of the system is to provide management conditions for the vegatation over 900,000 sq m [as received] of the state's territory, which represents 25 percent of the legal Amazon region.

Siscob is a system through which it is possible to control environmentally harmful actions through satellite im-

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ages, in addition to being a fine instrument for designing a policy for the sector. The system has immense precision. It can spot the exact place in which the vegetation is being destroyed, giving even the name of the owner of the area and the infraction that is being committed. The network also monitors conditions for granting licenses for clearing forest areas, which can be approved or denied in a few minutes. "Siscob is an agent that helps to enforce the environmental law," Iara Felix said.

Imagem technicians are providing to Mato Grosso services ranging from the theoretical information of the process to the machines that will be used. Officials of the State Environmental Foundation (Fema) are being trained to operate the system in its entire operational range, identifying fires, mineral prospecting areas, illegal airstrips, lumber exploitation areas, and agriculture and livestock activities. According to Iara Felix, the system's precision accounts for its high performance. The system uses two software programs of the National Institute of Space Research (INPE) — the Spring and the SGI.

High-resolution satellites, like the U.S. Landsat and the French Spot, are used for the program. For daily analyses, the system uses the equipment of the U.S. National Oceanic and Atmospheric Administration (NOAA). The images of the entire state territory are referred to a cartographic network and are checked for compliance with environmental regulations. The Siscob also has compared data on forest destruction within the past few years. Iara Felix said that the project called for an "investment of only $200,000 for the studies and the data base, which are the essential parts of the project." The total cost of Siscob amounts to $350,000, including studies, data base, equipment, software, and personnel training.

Research

Over the past few years, Imagem did a series of research activities for government organs and programs. Among them is the National Remote Sensoring Network Project, which was done for Ibama [Brazilian Institute for Environmental Affairs and Renewable Natural Resources], which included detailed research on the 50 main environmental institutions of the country. The conclusion was that the institutions were at very different technical stages, and that the only solution was to work on personnel training and on the structuring of institutions. "Some organizations had bought expensive equipment that was left in a storage facility because no one knew how to use it," Iara Felix said, noting that this can happen with the Raytheon project.

According to Felix, the original Sivam project did not take this situation into account. "Of a $1 billion purchase, the actual results will be obtained from 10 percent of this investment," says Imagem quality consultant Arnaldo Barbalho, Jr., an Aeronautical Technology Institute (ITA) engineer. Based on researchers' calculations, these deficiencies will be covered over a five-year period with a $100 million investment. Another $5 million investment will permit creation of an environmental control system for implementation throughout the Amazon region in less than two years.

The cost of the environmental section of Sivam might not even reach 8 percent of the $1.4 billion that will be spent with Raytheon. In the opinion of the specialists, the project poses no technological challenge to local enterprises, either in the civil or military areas. Local technological companies like Tectelcom, Aeroespacial, Avibras [Avibras Aerospace Industry, Inc.], and Embraer [Brazilian Aeronautics Company] can produce some of the radars and software for defense of the airspace. "Brazil is capable of producing a system that will be better than Sivam," Barbalho said. [passage omitted]

Editorial Views Governors' Support for Sivam Project

PY2912223295 Sao Paulo FOLHA DE SAO PAULO in Portuguese 28 Dec 95 Section 1 p 2

[Editorial: "Amazon Region Misgivings"]

[FBIS Translated Text] After having lunch with President Fernando Henrique Cardoso on 26 December, governors from five leading Brazilian states left convinced of the fact that the Sivam [Amazon Region Surveillance System] project must remain unchanged. The governors even want to cooperate in having the Senate approve a $1.4-billion foreign financing, which is essential for implementing the project.

First, this represents a challenge for the senators as the governors will use their influence on the respective blocs to favor the Sivam project.

As a political overture, it is legitimate. The government is fully entitled to recruit its allies for championing a project of interest to it.

More of a problem, however, is the fact that the president did not use a single new argument to convince the governors. He just limited himself to repeating obvious facts, namely that the Amazon region represents an important area for our country and that it is necessary to control air traffic (both legal and illegal) and environmental devastation in that region.

The governors agreed with the president, without an in-depth discussion on the real priority for the Sivam

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project, an extremely expensive project for a nation burdened with social wants.

Another fact that has been ignored is that environmental and police surveillance will be ineffectual if the government has no personnel for repressing the illegal or predatory actions that might be detected by Sivam. Incidentally, this is already happening today.

The lack of new arguments has led to two types of inquiries. First, why is the president insisting on a project that is marked by so many doubts regarding its priority and its alleged irregularities?

Since there is no doubt about Fernando Henrique Cardoso's righteousness, the only possible speculation is the fear of eventual damage to the relations with the United States. This seems unjustified, because the magnitude of relations between the two countries obviously far outweighs one single project.

One may still wonder about the type of concession that the federal government mentioned to the governors for them to suddenly change their position of silence on Sivam, to a position of project advocates. In other words, what is the "trade off" [preceding two words in English]?

Finance Minister Malan Views 1996 Economic Prospects

PY2912212395 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 24 Dec 95 p B3

[Beatriz Abreu and Riomar Trindade report on interview granted by Finance Minister Pedro Malan to O ESTADO in Brasilia on 22 December]

[FBIS Translated Text] Brasilia — The government will continue to fight inflation next year, but no one should expect it to stand below 10 percent per year, Finance Minister Pedro Malan said. "I believe it would not be realistic to expect that it can go below 10 percent in 1996," he added during the interview he granted to O ESTADO DE SAO PAULO on 22 December, before leaving for Washington, where he will spend the Christmas holidays.

Malan expressed satisfaction when he talked about the changes in the attitude of exporters, who previously complained considerably about the exchange policy. The minister did not hint at possible changes in the exchange bands or at the moment when the interest rates will begin to decrease more quickly. He preferred to concentrate his comments on what he called the changes that have been occurring in the federal government-governors' relations. He promised: "The era of nonreimbursable funds, of donations, and of loans granted on purely political bases merely in order to solve immediate problems is over," he added.

[O ESTADO] Minister, has the anti-inflation fight been the great success of this first year of government?

[Malan] This has been the first year in which we again had an inflation rate civilized enough for Brazilian standards. In accordance with international standards, however, it is still high. The cumulative General Price Index-Domestic Availability and the General Market Price Index up until November stood at 14.43 percent and 14.46 percent, respectively, while the Economic Research Institute Foundation Index and the National Price Index of the Brazilian Institute of Geography and Statistics stood at 20 percent. The index average indicates an inflation rate below 20 percent, and this is a rate we have not had since the beginning of the 1970's. We have also witnessed the convergence of prices such as rents, personal services, and school tuition. This shows that in 1996 we will have an inflation rate lower than we did in 1995.

[O ESTADO] How much will the inflation rate be, Mr. Minister?

[Malan] I cannot risk saying how much. Everything will depend on continuity of the constitutional and infra-constitutional reforms, of the fiscal adjustment, and of the privatization process. No economic analyst, however, expects an inflation rate in 1996 higher than the one in 1995.

[O ESTADO] It will, nonetheless, still be above 10 percent, right?

[Malan] Yes, above 10 percent. I believe that it would not be realistic to think that it can go below 10 percent in 1996. As a matter of fact, only once in the last 40 years have we had an inflation rate lower than 10 percent. It was in 1957, when we did not have a generalized indexation of the economy. We must realize, however, that the cost of the basic food basket now is the same we had on 1 July 1995, when the Real Plan was implemented. This has represented an enormous increase in the purchasing power of salaries.

[O ESTADO] Is inflation already under control?

[Malan] Inflation is the most visible aspect of the Real Plan's success. It originates, however, from two mistaken conclusions. The first one is that the war against inflation has already been won, that it is a solved problem, a deciphered problem, that it is no longer reason for concern, and that we can now take care of other equally important or more important issues. This is a mistake. The second misinterpretation is that the government's only objective was to control

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inflation. We also have other objectives such as a long-term, sustained economic growth. By increasing public expenditures, the enterprises indebtedness, and the domestic and foreign debts, we would have obtained economic growth, but only for a short period of time. This growth, however, would not last for a very long time. Therefore, we are not interested in a burst of growth.

[O ESTADO] Nevertheless, several areas of the economy have had difficulties this year.

[Malan] This year's economic growth, which will remain at about 4 percent of the GDP, is not the level of growth we would like to have in the long term. We believe that the Brazilian economy must grow more than that in a year, but in a sustained manner, so as to absorb those who join the labor market, thus reducing the number of unemployed people and offering better jobs.

[O ESTADO] The prospects are that the first three months in 1996 will be difficult for the industries.

[Malan] It is true that economic growth has slowed down throughout 1995. We have been saying that in 1996 it will be the opposite. The first three months can be slightly worse than the same period in 1995. If we compare these same three months to the last months in 1995, however, the growth rate will be positive, although a little low. This rate will increase as the months go by. We believe that 1996 will end with a growth rate similar to this year's 4 percent. The fact is that 1996 will bring less uncertainty and unrest than 1995.

[O ESTADO] Where are the great challenges?

[Malan] In defeating inflation and in the establishment of bases for a higher sustained growth in 1997, and from then on.

[O ESTADO] Everything is going well. The problem is that the government, however, does not succeed in implementing the fiscal adjustment.

[Malan] Yes, but important things are taking place. We are signing the first accords with the state governments for the reorganization of expenditures. These accords are formal commitments that the governors are signing. The era of nonreimbursable funds, of donations, of loans granted on purely political bases, and improvised criteria linked to considerations of another nature is over.

[O ESTADO] The state governments are responsible for the explosion in expenditures this year.

[Malan] I have been saying that in 1995 the inflation rate has not played its traditional role. Governors admitted the mistakes they have committed in managing public finances this year. They still acted as if the chronicle inflation rate would solve their financial problems. This was, however, a perverse way of solving problems. Currently, the payrolls are increasing very slowly. Governors now realize that their states' revenues have increased but that expenditures have increased more rapidly.

[O ESTADO] Do you believe Congress will approve the social security area reform?

[Malan] Here in Brazil we have come to consider normal that which does not occur in any other country of the world. In the rest of the world, in the developed countries, people retire at 65 years of age, contribute for 35 years to the fund that will allow them to retire, and only receive 70 to 80 percent of what they received while still working. And all this happens in wealthy countries. Here, people retire under the age of 50 and obviously have not contributed during their entire active life in order to receive the more than 100 percent of what they received while they still worked. This has a fiscal cost. This is a debt that is being postponed.

[O ESTADO] Will Congress approve the reform?

[Malan] We do not have any other alternative. If this reform is not implemented during Cardoso's administration, it will be done in the next administration, no matter who heads it. The difficulties and cost of the reform will be greater the longer it takes us to implement it.

[O ESTADO] The federal government must also implement adjustments. The federal government expenditures are still high, particularly those on which the government has to pay interest.

[Malan] The federal government is obviously a central preoccupation because the problems of the state and county governments, in other words, the expenses of the other spheres of the government will be transferred to the Treasury. As Murilo Portugal, National Treasury secretary, usually says all problems have a solution as long as the cost of this solution is transferred to the National Treasury. We have a problem that is similar to that of the governors: The increasing payroll to be paid to active and retired employees. The government's payroll has increased by more than 100 percent in the last three years. If the government held a plebiscite to check whether the level of the services has also increased by more than 100 percent, the answer would be no.

[O ESTADO] Does the government want to intensify the implementation of measures to support exporters and thus ensure a positive trade balance in 1996?

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[Malan] We have already approved the Export Financing Program, thus allowing a standardization of interest rates and this is already a stimulus to exporters. There have been some changes here too. At the beginning of the Real Plan, exporters had one only complaint: the exchange rate. This is changing now. This month I had a meeting with exporters. At the beginning of the meeting, Marcus Vinicius Pratini de Moraes (president of the Brazilian Exporters Association) introduced me and said that the exporters wanted to discuss the Brazil cost with me. Previously, when we had an exchange rate indexed on a daily basis due to high inflation rates, we kept the exchange rate undervalued in order to compensate for all sorts of ineffectiveness and for high costs. Now, we talk about the fundamental importance of increasing the average productivity of the economy. The thing to do, therefore, is to reduce the Brazil cost instead of pretending that this cost does not exist and continue to work with an exchange rate that is undervalued and indexed to the inflation rate. This concept has been changing throughout this year.

[O ESTADO] Does this mean, therefore, that the exchange rate may remain the same. Isn't it necessary to increase this rate and surpass the obstacle created by a real being equal to the dollar?

[Malan] Look, I normally don't talk about what the exchange rate will be. We will continue to work in a regime of exchange bands. Twice this year, we have shown our flexibility by modifying the exchange band. We will not adopt the Argentine model of fixing the exchange rate at one dollar to one peso. I believe that by saying this I can make those who are in the business understand me.

[O ESTADO] And the interest rate level?

[Malan] I have been saying that there are two types of interest. One is the effective rate of the Selic [Computerized System for Surveillance and Liquidation], which is operated by the Central Bank to keep track of bank operations. This rate is used as a reference index to calculate the public debt and reached its highest level — 4.26 percent — in March. It was a very, very high interest rate. Now it stands at 2.7 percent. This represents a drop of 150 basic points, or a 35-percent drop. The question to be asked is: What is the drop margin? There is a margin and we can say that the interest rates will continue to drop, even if it is only gradually.

[O ESTADO] Do you believe that entrepreneurs and politicians are less reactionary regarding the exchange policy and the interest rate policy?

[Malan] I believe that the atmosphere is changing. I have spoken to thousands of entrepreneurs this year and none of them opposed the government's commitment to a decreasing inflation rate and to making efforts to ensure the success of the real. In the political area there are still several suggestions that the inflation rate is not the problem, that the government can stop controlling the inflation. No entrepreneur, however, has suggested that we should stop worrying about the inflation. This is extremely positive.

Economist Comments on Current Situation of Real

PY2912220295 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 Dec 95 p A3

[Commentary by economist Roberto Macedo: "The Real in a Plaster Cast"]

[FBIS Translated Text] Run over by a certain ineffectiveness of the executive branch and, particularly, by inconsistencies in the objectives of the executive branch as well as those of the judicial and legislative branches, the real is in a plaster cast. Please forgive the pun, but its bones, and other things, are out of place.

Interest rates are still too high and this attracts foreign investment, thus causing the exchange rate to remain low. Other distortions are also being implemented to maintain our trade balance: some external tariffs are too high, foreign reserves are too high, and other caustic controls — such as the ban on importing some products that are financed for more than 30 days. To ensure this balance, the government has restricted our economic growth. In other words, if all these things had not been out of place, the economy could have been more dynamic and have a better performance. And that would have been important.

No economist can foresee how long an economy can remain in this sort of plaster cast. Argentina, with its distortions, has been in such a situation for many years. A lack of fiscal treatment can create a credit crisis for the public sector and bring back high inflation rates and/or an exchange crisis as a result of trouble in obtaining foreign credit; as happened to Mexico, and with the same consequences.

Some things worked out in 1995, like the end of discrimination against foreign enterprises that have national capital, and the end of some monopolies like the one on oil, although to achieve that the government granted the Brazilian Petroleum Corporation many concessions. Results are still weak for a government surrounded with so many hopes and a country that is in a hurry to improve because its per capita GDP has been stagnant since 1980 and is already coming of age.

There are problems within the executive branch. As there is no minister to really head this government

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branch, and for lack of an effective coordination by Planalto Palace, the leadership of the economic team is fragmented, which delays decisions and reduces its consistency. At the beginning of this administration term, this absence of command could have been considered natural, but we are now beginning the second year of this administration and this excuse can no longer be used because one fourth of this administration's term in office is already over.

The worst problems, however, revolve around relations between the executive branch and the legislative branch. Brazilian society, with its colonial, imperial, and republican tradition of a strong executive branch still does not understand the situation. It does not understand that society is much more complex, that there are weak and fragmented political parties, and that — mostly since the 1988 Constitution — the legislative branch has been fundamentally important, particularly regarding the reforms because constitutional amendments cannot be vetoed by the president and the voting process and the voting quorum demand a negotiation that makes the executive branch's political fragility more evident.

Society concentrates all efforts on electing a president and ignores Congress which is elected in the president's shadow and has congressmen with nebulous profiles and a distorted representation, particularly because there is no district vote in Brazil, where there are regional imbalances. There is also the electoral process, with campaigns financed through the exaggerated influence of the corporate and economic powers. Within this framework, the contents of the "pink file" become mere triviality.

Everyone knows, or should know, that the central problem is the fiscal adjustment. Without this adjustment, high inflation rates can return, interest rates will remain high, and the level of investment will remain low. In addition, the economy serves as a banquet for volatile and predatory capital which is sensitive to the weakness of the adjustments and is reflected in high interest rates, for which it has a great appetite. Once the fiscal adjustment is implemented, the exchange rate will go down and from then on there will be all sorts of resulting distortions. In other words, without a fiscal adjustment it will be difficult to reduce interest rates and have a more realistic exchange rate.

The government has inherited from the Itamar Franco administration a specific situation and a unique opportunity to implement adjustments, which would be made easier by the expenditures control implemented during the [Former President Fernando] Collor administration and the increasing revenues obtained since Collor's impeachment, but this opportunity has been lost due to an uncontrolled increase in expenditures, particularly on the public employee payroll. With regard to expenditures, the drop in the inflation rate was a trap for the government, because there was no longer any way to use inflation to reduce the real's value.

Without convictions or a political force to strictly control expenditures by the official accountant, the government depends on the reforms, but in this field it clashes with Congress which is not interested in reducing expenditures, as the current impasse over the administrative reform and the social security reform shows. Very much the opposite. Congress forces the government to increase its expenditures, as in the case of debts with agriculture and the rescheduling of the state government debts.

To obtain support for its reform, the government gives in here and there, as in the two aforementioned cases, but — considering what it has been achieving — the governmental decision to give in never seems to have been sufficient. Apart from delaying the entire process, giving in has implications that make the fiscal situation more complicated. On the principle of "in giving one receives," which was adopted during the [Former President Jose] Sarney administration, we have now adopted the principle of "in giving one does not receive," which is typical of the Cardoso administration. All this has occurred within a scenario complicated by excessive sensitiveness of politicians with whom the government has to negotiate and by issues that, compared to the need to implement a fiscal adjustment, are of secondary importance. These include the Amazon Region Surveillance System, the "pink file," and everything else.

To further complicate the issue there is the judicial branch, particularly the labor courts, which insist on exerting their retrograde power, thus threatening to demolish the deindexation principle which is one of the pillars of the Real Plan.

As politicians say, in face of faits accomplis like these — which force the government to adopt a defensive position — the solution is to create new situations. Among these solutions are: to reorganize the executive branch; to adopt new initiatives within the government plan of action; to be more firm in its commitment to the fiscal adjustment; to seek public support by giving the people more information in order to oppose the demands of political opportunism that result from political fragmentation.

Cornered, and on the defensive, the administration runs the risk of spending its years in office bogged down in difficulties that have put the real, through great distortions, in a plaster cast. We must never forget that

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the real is the best economic and political asset of the administration. Urgent measures must be adopted to prevent the disparagement that threatens to irreversibly degenerate the real.

Subscribers' Connection to Internet Delayed

PY0201183996 Sao Paulo VEJA in Portuguese 27 Dec 95 p 65

[FBIS Translated Text] Some people tried to depict 1995 as the year in which Brazil would join the world of Internet. This expectation failed, because of Brazil having less than 100,000 consumers. As of 1 January 1996, the dream of joining the universe of digital communications will be even farther away. On 1 January, one of the main doors of access to Internet — for Brazil — will be closed. It is the door managed by Embratel [Brazilian Telecommunications Company]. In April, Communications Minister Sergio Motta set a deadline for Embratel to discontinue the service through which consumers could join Internet. The minister had good intentions. He imagined that at the end of year the network would be operating at full capacity, and that — consequently — Embratel could give up its function of supplier of connections for private enterprises, concentrating its work on the expansion of the necessary infrastructure.

Seven months later, the situation is quite different. The main structure of cables and computers, which should have extended all over the country in September, was ready a few days ago. However, it is not yet complete. Centrals for answering consumers' phone calls and for channeling them to their destination within the Internet network, either in the United States, Australia, or the Amazon region, must still be created. Because of the delay, several enterpries willing to operate as access gate for Internet will have to wait. Now, despite the discontinuation of the Embratel service, those enterprises are not yet ready for serving Embratel's 6,000 clients, let alone attracting new clients.

Patience

Even if the basic infrastructure is supplied in the short term, enterprises will face another problem: the lack of telephone lines. A fine system for transmission to the international network will be useless if enterprises have no telephone lines for their clients to join the network. Enterprises need dozens or even hundreds of simultaneously operating lines. "Lines are in such short supply that despite the fact that we earmarked $1 million for investment in telephones, we did not spend even 50 percent of that amount," says Marcelo Lacerda, a director of Nutec, an enterprise providing access to Internet, with 1,500 subscribers. "If we register many more clients with the same number of lines, we will risk a deterioration of the quality of service," Lacerda says. Some enterprises use one single line for up to 200 subscribers, thus making the entry into Internet an unbearable game of patience. "I am very curious, but I have not obtained a subscriber's ticket and I would not like to choose an enterprise with very poor services," says human rights specialist Roberto Sant'Anna.

Embratel subscribers will probably join the group of people who are anxious to join Internet. This will not happen only if Embratel succeeds in its efforts to continue rendering the service. In other countries, like France, where the telecommunications system is also run by a state monopoly, enterprises provide the infrastructure and also the access to Internet. They have rigid regulations to guarantee fair competition between the private sector and the state enterprise that designs the telephone expansion projects. The same thing could be done in Brazil, but judging by the rate at which the decisions on Internet are made, this matter might be resolved in 1997.

Chile

Interior Minister Rules Out Pact With Communists

PY0101145796 Santiago EL MERCURIO in Spanish 28 Dec 95 p A1

[FBIS Translated Excerpt] Interior Minister Carlos Figueroa has ruled out any type of pact between the ruling coalition and the Communist Party. Figueroa said that Socialist Party [PS] President Deputy Camilo Escalona misinterpreted proposals on the scope of support needed to change the two-party system.

Escalona said on 26 December that the ruling coalition still has to discuss a pact of convenience with the PCCh [Communist Party of Chile] for the 1997 parliamentary election. According to the PS leader, this alliance would be made with the purpose of obtaining the necessary votes to approve the constitutional reforms sponsored by the ruling coalition.

The socialist leader even said that the idea had been previously mentioned by Interior Minister Carlos Figueroa and Defense Minister Edmundo Perez Yoma to the ruling coalition congressional bloc.

Figueroa said in response that Escalona misinterpreted his proposals on the matter, adding that he only made a call to change the two-party electoral system. "I am aware of what I said, but his interpretation is not the correct one," Figueroa stressed.

The minister said that on at least five different occasions, including once before the PS plenum, he spoke about

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the need to call on political groups that are being hurt by the two-party system to cooperate in an effort to change the electoral system.

According to a press report published on 16 July of this year, Minister Figueroa spoke about the urgent need to discuss the two-party system, which "he characterized as 'the most perverse part' of what we inherited from the institutional system established by the military regime." According to the publication, he proposed the incorporation into the debate of the "PCCh and the Progressive Center Center Union in order to put an end to this and other authoritarian enclaves."

The possibility of an instrumental pact with the PCCh was not only rejected by the government yesterday. The PS proposal was also received with skepticism by the other government coalition members who believe the proposal is untimely. [passage omitted]

Defense Minister Discards Pact With Communists

PY0101182696 Santiago EL MERCURIO in Spanish 29 Dec 95 p C3

[FBIS Translated Excerpt] Defense Minister Edmundo Perez Yoma has made it clear that he never proposed to the Socialist Party [PS] bloc or to the Coalition of Parties for Democracy [CPPD] the idea of an instrumental electoral pact between the CPPD and the Communist Party of Chile [PCCh] for the upcoming 1997 congressional elections.

Perez Yoma also said he personally does not believe it is possible or desirable to have a pact with or to include the PCCh in the CPPD.

This is how Perez Yoma replied to the comments made by PS President Camilo Escalona, who said the CPPD was waiting for a discussion on an instrumental agreement or pact with the PCCh, which was proposed by Interior Minister Carlos Figueroa and Perez Yoma in order to facilitate the way for constitutional amendments in Congress. [passage omitted]

In answer to the remarks made by Minister Figueroa, PS President Escalona said there is no difference between what Figueroa said and his own comments about studying the creation of an instrumental pact including the PCCh, despite the fact that Figueroa discarded any pact with the communists. [passage omitted]

Espina on Figueroa's Proposal To Reform Electoral System

PY0201174996 Santiago EL MERCURIO in Spanish 29 Dec 95 p C3

[FBIS Translated Text] Deputy Alberto Espina, first vice chairman of the National Renewal Party [RN], categorically rejected Interior Minister Carlos Figueroa's proposal to reach an instrumental pact between the Coalition of Parties for Democracy [CPPD] and forces not represented in Congress, such as the Communist Party [PC] with the purpose of reforming the two-party electoral system.

Espina warned that a proposal such as the one made by Figueroa represented, in practice, the burial of the agreements maintained up to now by the government with the RN regarding constitutional reforms and human rights.

He also asserted that when the government disclosed the so-called "Frei Proposal Two" it clearly stated its commitment to refrain from promoting during this period any changes to the two-party system.

The RN leader thus referred to the controversy sparked within the CPPD due to socialist leader Camilo Escalona's proposal that the governing coalition look into the possibility of reaching an instrumental pact with the PC with the purpose of obtaining, during the next parliamentary elections, representation in Congress that will allow it to carry out the reforms to the Constitution proposed by President Frei.

Escalona said that proposal was suggested in a preliminary manner by the interior minister, but Figueroa explained on 27 December that his proposal did not point in that direction but rather at establishing an instrumental agreement with the PC to modify the two-party electoral system.

Deputy Espina expressed regret at Figueroa's statements because, in his opinion, they confirm what was stated by Camilo Escalona, who said that the main government authorities may have plans to promote an electoral alliance with the PC to eliminate the two-party electoral system.

He said this proposal was deplorable because it seeks to alter an electoral system that has been the key for the consolidation of parties and the avoidance of a multiplicity of political parties.

Espina said: "I believe that by maintaining the minister's philosophy, we are eliminating the government's agreements with the RN because our only purpose in promoting the reform has been to ensure constitutional stability, and this obviously implies a consensus regarding its main institutions."

According to the RN leader, the minister erases with the elbow what he writes with his hand because the reforms are designed to solve the institutional problems, in order to then be able to start discussing subjects on the social agenda.

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However, he reiterated his warning regarding the minister's determination to establish an alliance with the PC, even if it is with the sole purpose of eliminating the two-party system, and thus establish majorities that in the future may distort the main institutions of the Constitution. He added: "The spirit that inspires him is quite different than that which inspired the RN regarding that subject."

Espina said: "For the same reason, I believe the minister must explain what he meant and clearly state what he intends because his proposal of creating an instrumental pact with the PC to change the two-party system, which has been a factor of stability, is not in keeping with the CPPD's government program nor with the normal functioning of the democratic regime."

Espina emphasized that eliminating the two-party system would entail breaking away from one of the most important aspects of the Chilean political system.

Investigative Police Reveal New Antidrug Strategy

PY2912173395 Santiago EL MERCURIO in Spanish 28 Dec 95 p C11

[FBIS Translated Text] During a news conference at the central garrison on General Mackenna Street, Investigative Police Chief Nelson Mery yesterday officially announced that his organization has been restructured to toughen the drug enforcement program in 1996.

Speaking to some 50 reporters, Mery said that the institutional reorganization complies with the need for greater professional efficiency to prevent drug trafficking and the associated corruption from undermining the country's institutional system and its sustained and harmonious socioeconomic development.

Mery said that the attack on drug trafficking, the drug distribution networks, and their financial agents will be a priority.

The secondary objectives will be a close contact with the community organizations determined to end the retail sales and to prevent drug addiction.

He added that the antinarcotics brigades will be increased from five to 19 throughout the country, increasing by 70 percent the number of officials committed to the antidrug campaign. They will be headed by Prefect Hugo Pinochet, who has been confirmed in his post for the third consecutive year.

The antidrug law, which has been in effect since March 1995, contemplates the crime of money laundering, as well as use of undercover agents and controlled drug deliveries, among other instruments, which will facilitate police actions.

For the investigation of money laundering, the police will act by request of the courts, which demand a previous administrative investigation by the State Defense Council with the purpose of safeguarding the interests of investors and to protect the current economic model.

Yesterday Mery called for the support of the press against possible misunderstandings concerning the police work.

With the help of charts, the police chief demonstrated how the presence of drugs in the metropolitan area increased over the past decade, using this to justify the creation of new units for drug enforcement in Santiago that will be headed by Deputy Prefect Raul Valenzuela.

In practice, Valenzuela will be the head of the National Antinarcotics Subdirectorate, of the Metropolitan Brigade, of the San Antonio Antinarcotics Brigade, of the Commodore Arturo Merino Benitez Airport Antinarcotics Brigade, and of the Canes Antinarcotics Brigade.

Valenzuela will replace Police Deputy Superintendent Jose Miguel Vallejo, who was designated chief of the education department of the antinarcotics department.

The amount of drugs seized by the investigative police from 1984 to 1995 increased from 20 to 1,500 kilograms, revealing the various problems the antinarcotics department will have to face.

Nelson Mery has attributed the seizure of large amounts of drugs this year to the effectiveness of the new drug law.

Colombia

Report Notes U.S. Use of Nuclear Subs in Search for Drugs

PA0201191196 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0130 GMT 2 Jan 96

[Report by Juan Carlos Velasquez in New York from the "AM/PM Newscast"]

[FBIS Translated Text] The United States is utilizing nuclear submarines in the search for drug shipments. The original target of these fast attack submarines was Moscow; it is Colombia now.

The United States has now turned to using nuclear submarines in the struggle against drug trafficking. This disclosure, which has been made for the first time, was broadcast recently by the television network NBC during one of the segments of its "In-Depth" investigate program. The report details how the Pentagon, as far back as one year and as part of its most secret operations, has been availing nuclear submarines once

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used for espionage missions against the former Soviet Union to surveillance and intelligence gathering operations against sea vessels departing Colombian coasts where there is suspicion of drug trafficking.

Only now has the Pentagon finally acknowledged that many of the drugs seized on the high seas and at various ports were due mostly to support from submarines. For example, we have the case of the Natalie, a ship that sailed from Buenaventura carrying 24 tons of cocaine that were later seized on board.

There also have been reports of cargo ships being followed all the way to ports in Europe where the drugs were seized.

A Pentagon official has said support received from the submarines has led to the seizing of more than 100 metric tons of cocaine that would have otherwise reached the streets of the United States.

The NBC report also discloses how these operations serve as a means of survival for organizations such as the CIA, the national intelligence agency, and even the Pentagon itself, all of which are involved in the program as well as struggling to keep their budgets intact during a time of major cuts.

The submarines being used, described as fast attack, to monitor ships sailing from Colombian coasts are valued at more than $100 million, and their operating costs surpass $23,000 per day, but the amount of drugs that has been seized so far would seem to justify the expenditures.

President Samper Reverses Appointment of New DAS Director

PA3012033595 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 27 Dec 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] President Samper has reversed the appointment of Alfonso Clavijo as director of the DAS [Administrative Department of Security]. One person identified as A. Clavijo appears on the list of politicians and congressmen who stayed at Cali's Intercontinental Hotel at the expense of the Rodriguez Orejuela brothers.

Authorities are trying to confirm if the person identified as A. Clavijo that appears on the lists provided by Palomari concerning Cali Cartel payments to Colombian personalities correspond to attorney Alfonso Clavijo.

This list apparently prompted the government to change its mind and reverse the appointment of Alfonso Clavijo as DAS director, replacing Ramiro Bejarano.

[Begin Samper recording] Indeed the name of Dr. Clavijo was among those being considered but, I repeat, at this time the only thing we can say is that Dr. Bejarano remains at the helm of the DAS. I spoke with Dr. Clavijo and we discussed different issues. But I repeat, no official decision will be made until January. [end recording]

While the new DAS director is chosen, authorities continue the investigations to determine a possible connection of Alfonso Clavijo with Cali Cartel moneys.

Army Uncovers Terrorist Plot, Arrests ELN Leader in Cali

PA0201214196 Santa Fe de Bogota Radio Cadena Nacional in Spanish 1200 GMT 2 Jan 96

[From the "RCN Radio Events" newscast]

[FBIS Translated Text] In Cali, the National Army has uncovered an ELN [Army of National Liberation] terrorist plot to disrupt public order during the traditional Cali Fair. Meanwhile, the Army arrested one of the main ELN leaders in southwestern Colombia. A spokesman for the Army's Third Division disclosed that one citizen had helped to arrest Jesus Evelio Quinceno Arias, alias El Gordo or Gaspar, who is the financial chief of the so-called ELN Southwestern War Front.

The Colombian Government gave this citizen 500 million pesos as a reward for his cooperation in arresting Quinceno Arias. According to official sources, Quinceno Arias was also in charge of coordinating the crimes committed by the People's Militia and other ELN fronts in this part of the country.

Ecuador

Peru Said Threatening U.S. Ties Over Kfir Plane Sale

PY0201184096 Madrid EFE in Spanish 1554 GMT 2 Jan 96

[FBIS Translated Text] Quito, 2 Jan (EFE) — The Quito daily HOY today asserted that Peru threatened to break diplomatic relations with the United States following Washington's authorization for the sale of four military aircraft with U.S.-made engines to Ecuador.

Under the headline "The Strained Atmosphere Between Washington and Lima Grows," the daily asserts that Peru has practically threatened to break diplomatic relations with the United States "unless President Clinton guarantees he will not allow the sale of war planes to Ecuador."

HOY cites "authorized sources," who chose to remain anonymous, as stating: "We believe a new message was

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sent by Peruvian Ambassador to Washington Ricardo Luna, stating that it will be difficult to maintain relations unless Washington promises to block future sales of military aircraft."

Today's report matches information from Lima that Israel has decided to postpone the delivery of four Kfir aircraft sold to Ecuador, until this country ends its peace negotiations with Peru following the war they waged in early 1995.

The Lima daily EXPRESO reproduced an article published by the Israeli daily HA'ARETZ, stating that a postponement of the delivery was requested by the U.S. State Department last weekend.

An article published on 1 January by Aluf Benn, an Israeli expert in military affairs, states: "The U.S. decision seeks to avoid affecting negotiations between Peru and Ecuador, scheduled to start in a few weeks time."

Ecuadoran and Peruvian foreign ministers, Galo Leoro and Francisco Tudela, respectively, will meet this month in Lima to "formally" start talks to definitely resolve the territorial controversy between the two countries.

Ecuadoran Ambassador to Washington Edgar Teran said there is certain "unrest" because "a misinformation campaign to conceal the fact that restlessness prevails within the Peruvian Government," has been unleashed in that country.

Speaking by phone with HOY, Teran regretted the fact that the peace process by Ecuador and Peru with the support of Argentina, Brazil, Chile, and the United States — the guarantor countries of the 1942 agreement that establishes the boundaries between the two Andean countries — "seems to be going backwards."

Leoro Denies Postponement of Kfir Plane Delivery

PY0201211796 Madrid EFE in Spanish 1839 GMT 2 Jan 96

[FBIS Translated Text] Quito, 2 Jan (EFE) — Ecuadoran Foreign Minister Galo Leoro denied today the suspension of the sale of four Kfir fighters to his country from Israel, as reported by the Lima press.

"They must be rumors as this has been happening lately," said Leoro in comparing the suspension reports with the alleged Ecuadoran attack on a Peruvian patrol in the Amazon border region last week.

"As far as I know there is no such thing (suspension of the sale of fighter planes)," said Leoro upon making clear that the Foreign Ministry has not received any official communication in this regard.

Leoro confirmed that the four airplanes, which according to the official report are replacing airplanes that are out of use, will arrive "as scheduled" after Leoro visits Lima.

Leoro will visit Lima on 17 January to meet with his Peruvian counterpart Francisco Tudela to start "formal" direct negotiations to find a solution to the border problems between the two countries as established in the Itamaraty [Brazilian Foreign Ministry] Peace Declaration that was signed last February.

The purchase of the airplanes was harshly criticized by Peru, which asked the United States not to authorize the sale of the airplanes, which have U.S.-made engines.

According to the Peruvian press, Israel decided to postpone the delivery of the four Kfir fighters to Ecuador while the peace negotiations with Peru are under way.

The postponement of the delivery of the airplanes was asked by the U.S. State Department last weekend, according to the Lima daily EXPRESO, based on an article published by the Israeli daily HA'ARETZ.

Gustavo Larrea, president of the International Affairs Committee of the Ecuadoran Congress, supported today the alleged delay in the delivery of the Kfir fighters to Ecuador announced by the Peruvian press.

Larrea said: "This is not the best time to replace weapons because of the sensitivity of the issue and I believe the Israeli position is based on that. The important thing right now is to consolidate the peace process."

Larrea said that the Lima reports of the alleged violation of the Peruvian air space by Ecuadoran Air Force planes, which was denied by Defense Minister Alfonso Alarcon, are "sensationalist."

Spokesman Denies Troop Mobilization on Peruvian Border

PY2912202295 Madrid EFE in Spanish 1606 GMT 29 Dec 95

[By Susana Madera]

[FBIS Translated Text] Quito, 29 Dec (EFE) — Ecuadoran Defense Ministry spokesman Colonel Carlos Badillo told EFE that the Ecuadoran Army today ruled out the sending of troops to the border with Peru and stressed the Ecuadoran effort to consolidate peace between the two Andean nations.

"We maintain our peace mechanism. No troops have been mobilized. Everything is calm here. What we are doing is watching over our borders, something we have

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never neglected to do, with or without war," Badillo said.

He attributed the reports on a presumed incursion of Ecuadoran Air Force (FAE) planes into the Peruvian Amazon territory, on an alleged "reconnaissance flight," to efforts at "psychological warfare" by certain sectors of the Peruvian press.

According to Peruvian sources, six FAE "Jaguar" planes last Wednesday overflew the territory of Peru, a country with which Ecuador maintains a traditional border problem over disputed territory on the common Amazon border that has no border markers.

Ecuadoran Foreign Minister Galo Leoro, Defense Minister Alfonso Alarcon, and Army Commander Paco Moncayo had denied the reports on a presumed overflight of FAE planes, although they have not issued reports on the shots fired from an Ecuadoran boat against a Peruvian watch post, as reported by Peru.

Moreover, one of the liaison officers between the Ecuadoran Army and the Ecuador-Peru Mission of Military Observers (MOMEP) today told EFE that "the environment is absolutely calm" near the border.

This officer, who did not want his name to be revealed, and who is attached to the MOMEP site in Patuca, said that "there is no sign of uneasiness in the area. People are calm. We have not been mobilized."

He said: "Nothing has changed here. We trust the military observers from Argentina, Brazil, Chile, and the United States, and for this reason we are not even on alert. Everything remains as it has been."

General Jorge Ortega, chief of the Armed Forces Joint Command, also said that Ecuador "has always responded to the actions of the Peruvian Armed Forces." He told the press: "What we do is go out to defend our territorial sovereignty and integrity, in compliance with our mission."

Approximately 100 officers from the four nations that are guarantors of the Rio de Janeiro Protocol, which, in 1942, established the limits between the two countries in conflict, and 10 others from Ecuador and Peru comprise the MOMEP 2, which is overseeing the fulfillment of the 1995 peace agreements.

Moreover, General Paco Moncayo, who was chief of ground operations during the undeclared war between Ecuador and Peru in January and February 1995, said that his country "will not engage in provocations."

"We are not going to fall into a controversy, which has not existed to date because we have not provoked a conflict. We are not going to engage in provocations. We will continue promoting the peace process. We have confidence in the guarantors and in their noble stance concerning this problem," the general said.

Moncayo added: "We have never attacked, nor do we intend to begin an attack. Unless Peru begins an aggression, I do not see the possibility of a confrontation."

Ecuadoran Foreign Ministry sources told EFE today that "the trip Foreign Minister Galo Leoro is scheduled to make to Lima in January 1996 has not been changed."

Ecuadoran Deputy Foreign Minister Marcelo Fernandez de Cordova had confirmed to EFE that Leoro and his Peruvian counterpart Francisco Tudela will begin in January "formal talks" to "pave the way" for direct negotiations to find a definite solution to the border problem.

The two foreign ministers will establish "the manner in which the negotiations will be conducted; they will determine the where, who, and when with regard to negotiations," de Cordova said.

Leoro Says Rumors of Troop Deployment Create Concern

PY0301003896 Quito Voz de Los Andes in Spanish 2300 GMT 2 Jan 96

[FBIS Translated Text] Ecuadoran Foreign Minister Galo Leoro said today that Ecuador will remain alert in the face of rumors from Peru about the deployment of troops at their common border.

Leoro added that the rumors about the deployment of troops come from Peru, not from Ecuador, but that Ecuador must be alert and concerned about it. He reiterated that in the last three days there has been no report of any troop deployment, of any specific military deployment at the border by the two countries.

He said that according to the information he has, there is tranquility; there has been nothing new between Ecuador and Peru since minor incidents were reported in the last week of December.

Leoro confirmed that he will travel to Lima on 17 January to study with Peruvian Foreign Minister Francisco Tudela the agenda for the negotiation of a definitive solution to the border conflict.

The latest military conflict, that lasted from 26 January to 28 February 1995 in the Cenepa River valley region, was waged in their common Amazon unmarked border region where military officers of Argentina, Brazil, Chile, and the United States are supervising the fulfillment of the peace agreement.

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Armed Forces Chief: 'No Major Incidents' at Border

PY2912203095 Madrid EFE in Spanish 1631 GMT 29 Dec 95

[FBIS Translated Text] Quito, 29 Dec (EFE) — General Jorge Ortega, chief of the Ecuadoran Armed Forces Joint Command, stated today that Ecuador "does not need" to engage in an arms race because it has sufficient war materiel for "defensive" purposes.

Gen. Ortega told the Guayaquil newspaper EL UNIVERSO: "It would be wrong to engage in an arms race. With the defense power we have, any aggressor would think twice before attacking Ecuador."

Ortega said that in view of the current economic situation, Ecuador is unable to engage in an arms race because "our military power is based on training our personnel and the war materiel needed for a dissuasive and defensive position."

Ortega downplayed isolated incidents along the border with Peru over the past few months despite the fact that Ecuador and Peru are conducting a pacification process.

Regarding the regulations on military actions agreed by the two countries, Ortega said: "No major incidents have been reported; not only in the demilitarized zone but along the entire border. Any minor incident is resolved within the framework of what is established in the military actions regulations."

According to Ortega "There have been minor incidents, but they are being resolved with the goodwill of the two parties and within the framework of what is established in the procedure manual."

Ortega made this statement following Peruvian Government charges that Ecuadoran planes violated Peruvian airspace and that clashes have taken place.

These reports have been denied by high-ranking Ecuadoran military and diplomatic officials who have attributed them to a "psychological war."

Ortega said: "I hope we can achieve an atmosphere of detente and mutual confidence that may allow our two countries to sit at the negotiating table and find a just, fair, and definitive solution to the (territorial) problem."

Ecuador and Peru maintain a longstanding border dispute over an unmarked border area in the Amazon region over which they fought an undeclared war between 26 January and 28 February 1995.

Army Chief: Dispute With Peru To Be Solved Through Law

PY0201201496 Quito Voz de Los Andes in Spanish 1700 GMT 2 Jan 96

[FBIS Translated Text] Ecuadoran Army Commander General Paco Moncayo said today that international law, not war, will put an end to the territorial dispute between Ecuador and Peru, which has resulted in three military conflicts in the last 50 years.

In comments to the Ecuadoran Teleamazonas television station, which named Moncayo and Supreme Court President Carlos Solorzano as the "men of the year," Moncayo said that "peace is a tangible result, not an abstract concept," that "it is always the result of justice," and that in this case it will allow "solidarity among the two countries to prevail."

Ecuadoran Foreign Minister Galo Leoro will travel to Lima in mid-January to begin the discussion of an agenda for putting an end to the border problems between the two countries as established in Point 6 of the peace agreement that led to an end of the undeclared war of January and February last year.

Late in 1995 the peace process was tainted by mutual accusations of involvement in an arms race, and the Peruvian accusation of the overflight of an alleged Ecuadoran spy plane, and of an armed incident.

The accusations, which created alarm in the two countries, were made public despite the fact that a "security regulation" currently in force allows the direct and free communications between the military chiefs of the two countries to prevent minor incidents from turning into major ones.

Gen. Moncayo said that Ecuadoran and Peruvian military leaders agreed through the direct communications link that it was not a major incident but Peru unexpectedly decided to make it public. He added that it is very difficult to understand this because the issue was already clarified without the need to make a big issue of it before the public.

The overflight made by the alleged spy plane was not identified by the military observers of Argentina, Brazil, Chile, and the United States, who are operating in the area of conflict, and Ecuador asserted it was not its own, and that it could have been a narcoplane.

Gen. Moncayo also said that the Peruvian media is carrying out an inexplicable terrible campaign aimed at projecting an aggressive image of Ecuador and describing him as a "local Pinochet."

Moncayo reiterated that the Ecuadoran Armed Forces are exclusively prepared for defensive tasks and that

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"the only real possibility of a clash" will depend on a Peruvian attack, because from Ecuador "we never attacked Peru, in contrast to the information given to the Peruvian people."

Peruvian Silence on Information Proposal 'Suspicious'

PY0301011096 Quito Voz de Los Andes in Spanish 2300 GMT 2 Jan 96

[FBIS Translated Text] The National Communications Secretariat, Senacom, said today that the Peruvian Government's silence in face of the Ecuadoran proposal to install a mechanism for reciprocal information on the purchase of weapons by the two countries is suspicious.

The Senacom said that more than two weeks ago Ecuador proposed to Peru the implementation of a mechanism for reciprocal information on the purchase of weapons, but the only thing that it has received is a suspicious silence from the other side.

The Senacom also says that the Ecuadoran Government's pacifist proposal coincides with an impressive Peruvian information and rhetoric campaign against Ecuador, using as an excuse the purchase of airplanes for the Air Force.

Ecuador is buying from Israel four Kfir airplanes with U.S.-made engines, which according to the government will replace similar outdated airplanes.

The Senacom also says that in the last 11 months, Peruvian military delegations have travelled around the world contracting the purchase of weapons, including sophisticated equipment, worth $1-1.5 billion.

After criticizing Peru's lack of response to the Ecuadoran proposal for reciprocal information on the purchase of weapons, the Senacom say that Peru resorts to the trick of denouncing alleged overflights and ground and water attacks, which have been categorically denied by the Ecuador-Peru Military Observers Mission, MOMEP, after receiving information from their evaluators.

Paraguay

Wasmosy Evaluates Administration, Answers Criticisms

PY2912161595 Asuncion NOTICIAS in Spanish 29 Dec 95 pp 10, 11

[FBIS Translated Text] President Juan Carlos Wasmosy, looking upset due to the constant criticism against him, defended his administration yesterday during a nearly half-hour speech at the Business and Administration School (EDAN). The president presided over the EDAN academic year closing ceremony, which was marked by the presentation of several academic works.

In the first part of his speech the president said that he was constantly criticized for his trips abroad, which some people characterize as "vacations." The president said that what he is trying to do is to sell, to show to the world the comparative and competitive advantages of our country.

"Paraguay was famous for contraband, banditry, and despotism. No one ever spoke about its economy. The country's name did not even appear in the economic reports of world finance centers," Wasmosy said.

The president added that the Standard & Poors listing gave Paraguayan external bonds a better qualification than those obtained by Argentina and Brazil. "We have set the goal of a 12 percent to 15 percent inflation rate and we are closing the year with 10 percent," the president said, adding that he mentioned all these figures not because we wants to make propaganda, but as prized accomplishments achieved thanks to the effort of the people who bear the burden despite the damaging criticism.

The president then spoke about Congress. He said: "We want a presidential government, but we have a parliamentary government, almost a parliamentary dictatorship."

The president said that many politicians say we must stay out of any integration process and leave Mercosur [Common Market of the South]. He accused these politicians of "living in the past," adding that the clock of history cannot go backward, "unless we want to be a self-sufficient island."

Downplaying Unemployment

Wasmosy also downplayed the problem of unemployment. He said that many people talk about unemployment, adding that he hates to compare, but we must look at Japan or Argentina, a country where unemployment has reached nearly 25 percent.

The president also mentioned the country's high population growth rate, which tops 3.1 percent, while our GDP only grows by 4.5 percent. "This figure shows that we are only flying straight and at the same altitude," Wasmosy said.

The president said that the ideal thing would be to have a 7.5 percent or 8 percent annual growth rate. Wasmosy added that for this growth to be possible, we must give the state as well as the private sector their appropriate role. "The private sector must be the motor of development, creating the juridical framework and the favorable climate for development. But what is the problem? We have an electoral economy, not an open economy; we have an economy of revenge where

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everything is viewed from an electoral point of view, where everyone is trying to win a few votes," Wasmosy said.

Wasmosy Addresses Role of Executive, Economic Issues

PY0201211496 Asuncion NOTICIAS in Spanish 31 Dec 95 p 4

["Declaration" by President Juan Carlos Wasmosy in response to questions by unidentified NOTICIAS correspondent; place and date not given]

[FBIS Translated Text] [NOTICIAS] Which should be, in your view, the role the executive branch should play in the reform of society?

[Wasmosy] It must conform to the project of society that a community envisages. In our case, that project has already been defined — a project in a context of a transition [to democracy]. These circumstances have a bearing on the clarity or ambiguity with which the model of society we wish to have is proposed.

We must take up the challenge of engaging in dialogue in order to reach a consensus and together realize the ideal of society we intend to have.

In more particular terms, I would say that the role of the state in a society which is undergoing change in the quest for the modernization of its institutions is to engage in those activities which the private initiative either does not wish or is in no condition to cover efficiently.

[NOTICIAS] Why is it so difficult to put words into action in this country?

[Wasmosy] It is difficult to put words into action in a society that is changing and that is still trying out formulas to reach consensus between the three branches of government.

The inheritance of totalitarianism and a rigidly structured chain of command, which leave no room for dialogue and consensus, must be overcome with effort and a willingness to change.

Consensus is, in sum, the principle of action and an unavoidable prerequisite of it. If we have greater consensus in politics we will put words into action more quickly.

[NOTICIAS] Why are macroeconomic figures out of keeping with the people's opinion about their money and their ability to earn it?

[Wasmosy] There has always been a discrepancy between macroeconomic and microeconomic considerations, even in centrally planned economies, not to mention free, competitive, and efficient ones.

Savings increase, inflation is rolled back, the economy grows with reasonable dynamism, but benefits do not trickle down to all in the same way. This is the price of freedom and competitiveness. If we choose to live in a free society we must be willing to pay that price and to accept the challenge of together finding the appropriate strategy to minimize that cost.

[NOTICIAS] Much is said about economic years and yet we have been talking of political and presidential years for more than three years. How can one put economic issues on the agenda and use them as a catalyst for bringing about change?

[Wasmosy] Economic matters have been somehow relegated to a second place for the very same reasons that I have just mentioned — brining about change demands questioning one's values, patterns of interaction and adaptation of institutions. This has always been political agents' natural sphere of responsibility. We are creating the cultural, social, and political climate to make our economic proposals viable.

[NOTICIAS] Why do you think that a foreigner would find it interesting to invest in Paraguay?

[Wasmosy] The consolidation of democracy spontaneously creates conditions for investments to be viable.

[NOTICIAS] You came to power supported by the Colorado Party vote on a certain platform. Still, addressing EDAN [Business and Administration School], you said that there is no such model country that Paraguay aspires to become.

[Wasmosy] The platform on which I was voted into office not only by Colorado Party members, but also by all the Paraguayans who have accepted the historic challenge to institute changes in our country, is one of working together to find consensus formulas for defining policy, which is necessarily conflictive and equitable.

[NOTICIAS] Nineteen ninety-five has been a year characterized by financial crisis. Who won and who lost in all this?

[Wasmosy] Our country won, since it surmounted the crisis. Our country won because it staved off an apocalyptic outcome and maintained the regular operation of its economic, social, and political institutions. Imagine what would have happened if this crisis had brought our economy to the brink of total collapse. The crisis opened the door to imbalances and gave rise to the possibility of a collapse. Nevertheless, our monetary discipline, the strength of our determination to have a free economy,

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and our proven moderation in the management of this transition enabled us to check the factors causing imbalances and recover stability and confidence, which are a sine qua non for the strengthening of our economy.

UK Chancellor of Exchequer Pays Official Visit

Explores Investment Opportunities

PY0101212596 Asuncion ABC COLOR in Spanish 30 Dec 95 p 7

[FBIS Translated Text] Kenneth Clarke, UK chancellor of the exchequer, met on 29 December with members of the economic team to hear a firsthand report from those responsible for the country's economic policies on prospects for stable growth, progress within the Mercosur [Common Market of the South], and competitive opportunities for national companies in the regional market.

Clarke said that his visit will contribute to raising Paraguay's profile for the possible establishment of British companies here. Clarke said that British investors consider the economic and political stability of a country, particularly the country's progress toward a free market economy, before deciding to invest in it.

Clarke is one of the most influential figures in Prime Minister John Major's administration. Accompanying him are Privatizations Department chief Harold T. Bush and private secretary Kate Brown Lee.

The British chancellor of the exchequer noted his pleasure at visiting just one day after President Juan Carlos Wasmosy signed into law a bill protecting British investments in Paraguay. The law is an essential step in convincing entrepreneurs from the European country to establish their companies in the country and create jobs for thousands of unemployed people.

The British are interested in working in the country's telecommunication services through the purchase of Antelco [National Telecommunications Administration] or opening a new telecommunications company.

Discusses Privatization Process

PY0201023596 Asuncion ABC COLOR in Spanish 30 Dec 95 p 7

[Interview with Kenneth Clarke, UK chancellor of the Exchequer, by Pablo Guerrero and Luis Bareiro Mersan on 29 December; place not given; passages within slantlines are ABC COLOR editorial notes]

[FBIS Translated Text] [ABC COLOR] Did the government need to reach a political pact with the opposition to start the privatization process?

[Clarke] There was a fierce controversy. The opposition was against it during the entire process. Today there are no political parties proposing to revert the situation and put those companies back under state control. In Chile, for instance, the privatization process was carried out despite great political opposition, particularly from unions. //Clarke is not acquainted with the Paraguayan privatization process//.

[ABC COLOR] What were the benefits of the privatization process in your country?

[Clarke] The British treasury received more than $90 billion in this process //(more than 10 times Paraguay's GDP)//. These state companies were operating with big deficits. The British treasury had to pay nearly $75 million per week to cover them. We turned these deficits into profit.

[ABC COLOR] What happened to the privatized companies?

[Clarke] They were successful. British Airways is today one of the strongest airlines in the world. The water and electricity companies are now part of large international companies. Among the large state companies that were not privatized are the railroad system and the postal service.

[ABC COLOR] What was the social cost of the process in your country?

[Clarke] The number of employees working for these companies was greatly reduced. But the cost of electricity, gas, and particularly and spectacularly the cost of telecommunications, also came down. These companies became more efficient. It all led to a much faster economic growth, faster even than growth in Germany or France.

[ABC COLOR] What happened to the shares of those companies?

[Clarke] The British privatization system included the sale of shares to company employees and small investors. Besides, British banks are quite used to it and have a lot of experience in obtaining capital.

[ABC COLOR] How did the population react to the process?

[Clarke] Privatization is today an accepted characteristic of the British economy. Some companies are more popular than others. An example is the case of the telecommunications company, which experienced an outstanding transformation. The company has been modernized and has become more trustworthy. Costs for consumers dropped dramatically.

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[ABC COLOR] How can the British Government cooperate in the Paraguayan process?

[Clarke] If the Paraguayan Government decides to continue the process, we can offer experience and knowledge on the best ways to carry out the process. We can also refer to our mistakes to help avoid them and, of course, outline our successes.

[ABC COLOR] Where would British entrepreneurs like to invest in Paraguay?

[Clarke] There are many infrastructure projects that are very interesting for British entrepreneurs, particularly the binational entities //(Itaipu, Yacyreta, and Corpus; the last of which has not yet been built)//. There will be more interest when people become conscious of the changes that are taking place in the country.

//The attempt to privatize Paraguayan public companies started in 1989 during the General Andres Rodriguez administration (1989-1993), although not a single company was privatized during this period. Paraguayan Airlines, Inc. (LAPSA) was privatized in October 1994. Efforts to privatize four state companies — the Paraguayan Merchant Fleet, Inc.; Paraguayan Steel, Inc.; Paraguayan Alcobolic Beverages, Inc.; and the "Carlos Antonio Lopez" Central Railroad — continue today.//

Peru

Embassy Denies Report on Plans To Break U.S. Ties

PY0301002096 Madrid EFE in Spanish 2020 GMT 2 Jan 96

[FBIS Translated Excerpt] Washington, 2 Jan (EFE) — The Peruvian Embassy in Washington denied today that Peru intended to break diplomatic relations with the United States.

That possibility, which was reported by a Quito daily today, was labeled by a Peruvian Embassy spokesman in Washington as "an unfounded speculation."

The source, which contacted EFE, also denied a press report about an alleged Peruvian protest to the U.S. Government for the sale to Ecuador of four Israeli-made Kfir fighters, which are equipped with U.S.-made engines.

The Ecuadoran daily, which did not identify the source, said today that "the tension between Washington and Lima is increasing," and that Peru threatened to break diplomatic relations unless President Clinton prevents the sale of the Israeli airplanes to Ecuador.

Peruvian Ambassador in Washington Ricardo Luna was recalled to Lima for consultation just before Christmas and it was announced that today he will go to Congress with Foreign Minister Francisco Tudela for a meeting with congressmen. [passage omitted]

Foreign Minister on Kfir Sale, Air Space Violation

PY0301025796 Lima America Television Network in Spanish 0100 GMT 3 Jan 96

[FBIS Translated Text] The Peruvian Foreign Ministry released today a communique saying that the U.S. Government decision authorizing the sale of Kfir fighters to Ecuador is inappropriate because the United States is one of the guarantors of the Rio de Janeiro Protocol.

The communique also says that the Peruvian Government believes that the actions of the guarantors of the Rio de Janeiro Protocol is essential under this situation and for the future.

According to a report from AFP, Israel canceled the controversial sale of warplanes to Ecuador due to the U.S. opposition to that transaction. That news agency cites an Israeli congressman, a member of the Foreign Relations Committee, who said that U.S. officials exerted in this case their right to veto. So far, the Israeli Government has not made an official announcement on this case.

Foreign Minister Francisco Tudela said this afternoon that there is no official communication on the cancellation of the sale of Kfir airplanes to Ecuador. He also said that the Peruvian Government has formally protested before the MOMEP [Ecuador-Peru Military Observers Mission] over the recent Ecuadoran violation of the Peruvian air space. He made this announcement after meeting with the members of the Foreign Relations Committee in Congress.

[Begin recording] [First unidentified reporter] Minister Tudela appeared before the congressional committee in a closed-door meeting to explain the recent events related to the border conflict with Ecuador. In this regard, after the end of the three-hour meeting, Tudela expressed condemnation for the violation of our airspace.

[Tudela] The MOMEP is in charge of verifying this type of incident. It has verified that an airplane of the Bufalo or Arava type flew over PV2 [Watch Post 2]. It seems that this incident has been confirmed, that an overflight, probably of intelligence, did occur.

[Second unidentified reporter] What is the Peruvian reply to the violation of the Peruvian airspace?

[Tudela] An energetic protest before the MOMEP. This protest led the MOMEP to verify that the overflight did indeed occur.

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[First reporter] About the suspension of the Israeli Kfir fighters to Ecuador with the support of the U.S. Government, Tudela said he has no official information confirming that report.

[Tudela] The Israeli Foreign Ministry has not confirmed that report.

[Second reporter] What would be the reaction of the Foreign Ministry upon receiving information of this kind? Could a direct consultation be made with the U.S. ambassador in Peru?

[Tudela] The reaction of the Foreign Ministry is to verify the information it receives and to act based on confirmed and verified information.

[First reporter] Tudela also pointed out that Peruvian Ambassador Ricardo Luna will soon return to Washington with precise instructions to get the United States to thoroughly fulfill its role as guarantor country. In addition to the Peruvian-Ecuadoran relations, Tudela also confirmed the invasion of the Chinchorro property, owned by Peru, in Arica, Chile.

[Tudela] Today, the Peruvian property of the Chinchorro was invaded by the Arica municipality to expand without authorization the Panamericana highway. On 29 December, the Peruvian Government conveyed to the Chilean Embassy that it was going to submit in the fist week of January a comprehensive proposal including the Chinchorro property in relation to the pending issues of the 1929 Treaty. This does not mean that the Chinchorro property is part of the pending issues. It is not part of the pending issues, but it is an issue that must be resolved. [end recording]

Foreign Ministry, Press on U.S. Kfir Sale Decision

Communique Calls Move 'Inappropriate'

PY0201233496 Madrid EFE in Spanish
2159 GMT 2 Jan 96

[FBIS Translated Text] Lima, 2 Jan (EFE) — Peru reiterated today that the U.S. Government authorization to Israel for the sale of Kfir airplanes to Ecuador is "inappropriate" because the United States is one of the guarantors of the Ecuadoran-Peruvian peace process.

In an official communique, the Peruvian Foreign Ministry says that Peruvian officials have received "broad and detailed information" on the authorization granted by the United States.

The communique adds: "In face of that information, the Peruvian Government continues to believe that the decision is inappropriate because of the U.S. condition as guarantor country."

The communique also says that Peru "continues to believe that the action of the guarantor countries is essential under this situation and for the future, and takes into account that the United States has confirmed that it continues to be committed to the agreement signed by the guarantor countries and the deputy foreign ministers of Ecuador and Peru in Brasilia on 6 October 1995."

The communique expressly notes in one of its points "the need to prevent the risks of an arms race in order not to jeopardize the cessation of hostilities or any other event harmful to the current peace process."

The communique explains that the Peruvian Government "has obtained assurances from the U.S. Government and from the other guarantor countries — Argentina, Brazil, and Chile — in the sense that they will carry out complementary efforts to reach basic understanding at the subregional level on the limitation of weapons."

The communique adds that "the Peruvian ambassador in the United States has been instructed to explain thoroughly the Peruvian position to the highest officials of that country."

Daily Calls Authorization 'Irresponsible'

PY0101165996 Lima EXPRESO in Spanish
23 Dec 95 p A34

[Editorial: "An Irresponsible Authorization"]

[FBIS Translated Text] The authorization granted by the U.S. Administration to Israel for the sale of four Kfir fighters to Ecuador has left Peruvians perplexed.

Instead of assuming the "ethical" attitude that was correctly demanded by President Alberto Fujimori, which could also have given a clear sign to the two countries for an understanding to keep arms purchases under control, it is now practically giving a green light to all imaginable pressure for the purchase of weapons. It is now inevitable that Peru will buy even more airplanes because it lost much more in the conflict with Ecuador.

This means that the U.S. Administration preferred to meet the commercial interests of the U.S. companies rather than meet its responsibility as guarantor of the Rio de Janeiro Protocol. Furthermore, it is acting as the first and single world power endorsing global peace, something which EXPRESO has labeled "pax americana" in relation to the relations between Peru and Ecuador.

It is a shame that the discreet and successful effort the State Department was making within the framework of the Rio de Janeiro Protocol for the success of the peace process between Peru and Ecuador is being

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obstructed in this manner. Therefore, the United States is somehow losing credibility. From now on, it will be difficult to look at the United States as pacifier or a good arbitrator. Suspicion will be inevitable. The U.S. decision to authorize the sale at a time when the peace process is still being consolidated has definitely not been a responsible action. Let us hope the sale will only involve four airplanes, and that it is in fact simple equipment replacement.

Peru should immediately contact Ecuador to establish a mechanism for mutual information on arms purchase and to open, as we suggested, a registry of arms purchases at the Andean Group level. The purchase of the Kfir airplanes could ignite a crisis that must, necessarily, be deactivated. As the purchase has not yet been made, Peru should resort to every means before Israel to prevent the sale.

It is really necessary to make every effort to prevent the unleashing of an arms race between the two countries because, as has been said many times, their urgent social and economic needs must be met without delay with resources that cannot be used on arms purchases.

Article on Ecuadoran Kfir Plane Purchase, Intentions

PY2912161795 Lima EXPRESO in Spanish 17 Dec 95 p 6A

[Article by special correspondent in Washington]

[FBIS Translated Excerpt] Washington — Military sources linked to the CIA have said that had the fighter and attack Kfir planes the Ecuadoran Defense Ministry is currently demanding from Israel been handed over during the second half of February to the Armed Forces led by General Paco Moncayo Gallegos, they would have served as instruments to invade the so-called Peruvian coastal corridor comprising the departments of Tumbes, Piura, and Lambayeque.

Negotiations to acquire the Israeli aircraft began a few days before the anniversary of the Ecuadoran National War Institute in January this year, in Quito.

However, as the armed conflict developed in the Condor Mountains, the manufacturers delayed the shipment of the Kfir planes, arguing that technical modifications demanded by the purchasers had made it impossible to comply with the established date.

They argued the need to install sophisticated multimode radars, and, among other things, to replace the short-range Rafael-type missile, with which the aircraft is originally equipped, with the modern Pithon missiles, which had obtained excellent results in the Gulf war.

Moreover, they said it was necessary to strengthen the aircraft with SUU-23A ventral containers, with M-61 cannons ideal for air-to-air attacks, according to the sources.

The Ecuadoran plan was to invade the Peruvian coastal corridor, to destroy petroleum fields from La Brea, Parinas, Lobitos, Restin, El Alto, Los Organos, and the continental shelf of Piura, the sources added.

The fleet of Kfir planes, operated by experienced pilots who fought in the Persian Gulf, who are paid salaries as high as $35,000 monthly, would take off from the Ecuadoran military bases of Taura, Macas, Salinas, Loja, Manta, and El Oro, among which the war materiel purchased from the PRC has been distributed recently.

In Taura, for instance, the following Chinese weapons have been added to the current war equipment: 27 HN-5A missiles, nine SK-5A firing units, one Art. AAe 37-mm T-80 system trial and testing vehicle, nine double barrel 37-mm T-80 cannons, one radar-guided firing unit, an AAe 702 23-mm radar-guided firing system type 85, eight double barrel 23-mm T-85 cannons, and one laser rangefinder [director de rumbo laser].

All the 12 Kfir planes Ecuador has had for several years, as well as helicopters capable of carrying nuclear cargo (which Ecuador does not have, however), and laser missiles, which it does have in large numbers, are distributed among these bases which are directly connected to the electronic war room which operates from Quito. [passage omitted]

'Report' Reveals MRTA Plan of Alliance With Shining Path

PY0201205296 Lima LA REPUBLICA in Spanish 20 Dec 95 pp 4-5

[FBIS Translated Text] At a meeting of the MRTA [Tupac Amaru Revolutionary Movement] National Executive Committee [CEN] in April 1995, the leaders of that terrorist organization proposed the idea of an alliance with Shining Path [SL] if that Maoist organization reconsidered its ideological concept and its political strategy.

LA REPUBLICA had access to the document entitled "Political Report" which includes the agreements reached at that important meeting of the MRTA leaders, and which was seized from Miguel Rincon Rincon. The document states: "To convert the SL into a force that will push forward the revolutionary struggle, its ideological concept must be reconsidered, its methods of terrorism and popular authoritarianism must be rectified, and it must break its old sectarianism."

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The leaders concluded that if [top SL leader] Abimael Guzman Reinoso's followers managed to overcome those problems, they would be in a position to join the MRTA's armed struggle.

The MRTA leaders said: "If it (the SL) achieves this it will become a force which, together with all of us who aspire to the revolution, may march together, opening the doors of tomorrow in our fatherland."

The MRTA CEN, considering the possibility of its disappearance, hoped the SL would change its ideology and its practices with the goal of joining forces to try to seize power.

The documents signed by its leaders in April and August 1995 during the MRTA CEN meeting state that, notwithstanding harsh blows by the security forces, the MRTA managed to reorganize its board apparatus and to redefine its political and military strategy.

The police confirmed that present at both meetings were Miguel Rincon Rincon, (alias) "Francisco" or "Tizoc;" Nestor Cerpa Cartolini, (alias) "Evaristo;" Roberto Klein Samanez, (alias) "Dimas;" and Hugo Avellaneda Valdez, (alias) "Raul" or "Eloy;" who reportedly arrived from abroad especially for this meeting.

The leaders admitted "that the revolutionary armed struggle has suffered serious setbacks (...), but (it is) a tremendous lie to say that the MRTA has been completely annihilated."

These leaders concluded in both meetings that the blows imposed on them were part of the establishment of a "war economy against the revolutionary fight and all the people's fight."

They considered as negative factors against their aspirations the failure "of the so-called real socialism," and the "collapse" of the legal left.

If this were not enough, they also consider the border problem with Ecuador another factor that hurts them: "All Ecuadoran and Peruvian" power groups interested in promoting a confrontation "follow interests that have nothing to do with the two nations."

The MRTA leaders said another reason that contributed to these setbacks is "Abimael Guzman's blindness, which led him under those conditions to take his antipopular strategy of terror to its most brutal and extreme levels, fully discrediting the revolutionary war and forcing large popular sectors to join "counterrevolutionary strategies."

The MRTA CEN "Political Report-April 1995" states that on the subject of "the capitulation of Guzman Reinoso, the MRTA leaders agreed "the enemy had a decisive element."

They also admitted that hundreds of MRTA members sought shelter under the Repentance Law, among them many leaders. This, they say was crucial in the collapse of the organization, especially to the members of the North-Eastern Guerrilla Front of the Jungle, their main armed column.

The document states: "The greatest traitors of the revolutionary cause are Sistero Garcia (Comrade Ricardo) and Andres Mendoza (Comrade Grillo). They, and a handful of traitors moved to the side of the enemy and acted directly guiding and participating in their operations, torturing and murdering our fellow comrades." This can be considered a possible sentencing to death.

Garcia was commander in chief of the North-Eastern Guerrilla Front of the Jungle, and Mendoza was one of his main second commanders. Both belonged to the Movement of the Revolutionary Left - Rebel Voice, one of the groups built by the MRTA, until they repented and were reinstated into society.

But the greatest accusation of treason recorded in the "Political Report" of August is that which the CEN issued against Abimael Guzman, the actions of him and his board, "because of the need to save his fundamentalist ideology, designed and put into practice a completely anti-people terrorism."

According to the MRTA subversives, to this treason is added that of most leaders of the Shining Path board who "have been supporting the peace agreement" in a clear demonstration that their "ideology is opportunist."

For the subversive followers of the currently imprisoned Victor Polay Campos, all these events have led to the commission of serious errors "in the armed struggle."

At the MRTA board meeting, it was said that the current situation of the group, before the arrest of Rincon Rincon, "is one of the several crises which every revolutionary process has to experience." The task that was imposed on them was "to give continuity to the movement and to the revolutionary war."

At that meeting they said that if Shining path intends to return to the armed struggle, "it must reconsider its ideological concept and to break the old sectarianism." In that case, the MRTA and the PCP-SL [Communist Party of Peru — Shining Path] could get together and join forces.

The second meeting in which Rincon Rincon participated, together with the few MRTA leaders who are

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still at large and who belong to the CEN, was reportedly held in Lima, and the content of the agenda says that it only dealt with the country's economic situation.

Among the points discussed at the meeting are a broad evaluation of the Fujimori policy, criticizing the so-called "economic miracle," which according to this subversive group has been erected in compliance with "the orders of the imperialist chief through the IMF's guidelines," as well as by "imperialism (which) was urged to reorder the economic policy of all backyard countries."

The MRTA meeting in April and August reveal that the subversives were in full reorganization of the group and the strengthening of the ideology they profess, adapting themselves to the serious blows imposed by the countersubversive forces.

With the arrest of Rincon Rincon and of the attack group that was accompanying him, the MRTA has begun a frank process of disappearance. Its dream of alliance with SL was fortunately broken.

Correction to Military on Violation, Shots Fired

WA0301151296

The following correction pertains to the item headlined "Military on Violation, Shots Fired," published in the 29 December Latin America DAILY REPORT, page 40:

Column one, last graf in ref item, only sentence please make read...adds that the Ecuadoran military attack was...(correcting "Peruvian" to "Ecuadoran")

Venezuela

Defense Minister Denies Colombian Airspace Violations

PA2912185295 Caracas Venezolana de Television Network in Spanish 0200 GMT 27 Dec 95

[From "The News"]

[FBIS Translated Text] Defense Minister Moises Orozco Graterol has categorically denied that the Venezuelan Air Force violated the Colombian airspace on 24 December as it has been reported in the neighboring country.

According to Minister Orozco Graterol, F-16 planes overflew border posts, a routine practice at Christmas that was apparently misinterpreted by Colombia.

[Begin Orozco recording] It was a very low overflight over the border posts to greet them on Christmas, as well as to warn those people who want to harass or attack us that we are present, alert, and ready to repel any attack on the border. [end recording]

The situation has been sufficiently explained to Colombian Defense Minister Juan Carlos Esguerra. In Miraflores Palace, Defense Minister Orozco Graterol also warned that the air reconnaissance flights will continue to be intensified on our border because the aim is to warn the Colombian guerrillas that our Armed Forces are ready to defend our sovereignty, even during the Christmas season.

Defense Minister Denies Internal 'Incipient Movements'

PA3012024495 Caracas EL NACIONAL in Spanish 27 Dec 95 p D-1

[Report by Rafael Nunez]

[FBIS Translated Text] Defense Minister General Moises Orozco Graterol has denied the existence of movements similar to Mexico's Chiapas movement in our country and has said that, in any case, his colleague in charge of border affairs, Pompeyo Marquez, must confirm this information.

At the end of his weekly meeting with the president of the Republic, Orozco was questioned about the warnings on likely incipient movements as in Chiapas in our country. The general answered as follows: "As far as I know, there are no movements in Venezuela whatsoever similar to that in Chiapas, and you must ask Minister Marquez, who must have information in this regard, to give an explanation."

[EL NACIONAL] It is being said that two Mexicans who were already deported to Mexico had been arrested.

[Orozco] The Armed Forced did not arrest them.

[EL NACIONAL] Who did it then?

[Orozco] Ask Pompeyo Marquez.

[EL NACIONAL] How could it be that the FAN [National Armed Forces] is unaware of these two arrests, given you are cooperating with the state minister for border affairs?

[Orozco] You must recall that FAN is devoted to security and operations, but there are other intelligence organizations responsible for political affairs. I do not know whether it has carried out any action in this regard.

He has said it would be a little bit audacious and an irresponsibility for him to give out information he does not handle.

[EL NACIONAL] You do not confirm, then, the presence of incipient groups similar to that in Chiapas in our country?

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[Orozco] I repeat: We are unaware of the possibility that people are creating or that there already exist incipient Chiapas-like groups in Venezuela.

It Is False That F-16's Have Violated Colombian Airspace

Orozco has denied that Venezuelan Air Force [FAV] planes violated Colombian airspace during the 24 December low flights over border posts. He has insisted, however, that these maneuvers were done in an effort to make the Colombian rebels who harassed us be aware that we are alert, watchful, and capable of carrying out our mission and repelling any guerrilla action, even though it is the Christmas season.

The defense minister spoke to his Colombian counterpart, Juan Carlos Esguerra, to address the issue that General Gil, Colombian Air Force commander, and FAV Commander General Paredes Nino have explained sufficiently.

Our F-16's overflew all border posts and protection bases, the Task Force groups, and the Theaters of Operations on 24 December to inspect and patrol the entire border region. This procedure is a normal one that drew the people's attention because it took place around Christmas.

The minister was asked about the status of the investigations being conducted in the United States to determine the reasons for two air accidents at La Carlota and Palo Negro Bases. He has said the experts are expected to submit their final report to the FAV in January.

Foreign Minister Comments on Relations With Colombia

PA3112180495 Caracas Venezolana de Television Network in Spanish 0200 GMT 29 Dec 95

[Report by Fernando Porta from "The News"]

[FBIS Translated Text] According to a statement by Foreign Relations Minister Miguel Angel Burelli Rivas, incidents along the Venezuelan-Colombian border will not affect the country's foreign policy.

The foreign minister acknowledged the need to improve and consolidate Venezuelan-Colombian relations, but said that incidents, mostly those related to guerrillas operating along the border, will not alter Venezuela's diplomatic strategy.

During 1996, the Rafael Caldera administration plans to strengthen trade and diplomatic relations with countries such as Brazil and Colombia.

[Begin Burelli recording, in progress] ... emphasize relations with Brazil, which represents an unprecedented and extensive opening. In addition, we plan to encourage a situation of balance and harmony with Colombia, something challenging to accomplish, but this is a country whose friendship is critical to us. We are also determined to intensify Venezuela's opening to the European market which we have finally been able to penetrate thanks to our persistence and ensure preferential customs treatment for our goods similar to those the other Andean countries are receiving. Additionally, we intend to maintain the fluidity of relations with the United States. [end recording]

The foreign minister also confirmed the visit of Peruvian President Alberto Fujimori, which will take place on 10-12 January, occasion on which he will be awarded an honorary doctorate by the University of Carabobo.

As a corollary to this information, Foreign Minister Burelli also confirmed that the National Government is looking forward to opening commercial relations with Asia. He pointed out that several Asian nations such as Malaysia and Thailand are in need of Venezuela's raw resources, while this country is in need of their technological expertise.

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